

No.31,105 • THE FINANCIAL TIMES LIMITED 1990

Thursday March 22 1990

World News

Poland may accept united Germany within Nato

Poland's Foreign Minister said his country could accept a united Germany within Nato, but without Nato troops in what is now East Germany.

Krzysztof Skubiszewski, speaking after talks in Brussels with Manfred Wörner, Nato's secretary-general, said a united Germany could not be neutral, but the question of which alliance it would join was open.

Lithuania crackdown
President Mikhail Gorbachev ordered Lithuanians to surrender all weapons and called for tougher border restrictions and border checks on the republic's self-proclaimed independence.

Mandela rebukes US
Nelson Mandela rebuked James Baker, US Secretary of State, for his decision to meet President F. W. de Klerk in South Africa. Page 4

Namibia celebrates
Namibia became independent after a century of colonial rule. It becomes the 150th member of the United Nations. Background, Page 24

Taipei reform plea
Taipei students, who have been staging a sit-in protest for three days, met Lee Teng-hui soon after he was elected president and urged him to quicken democratic reforms. Page 4

French rivals agree
French Socialist Party rivals patched up their conflict for control of the party. Page 3

HK electoral plans
Hong Kong announced a cautious package of electoral changes in the lead-up to next year's first direct elections to the colony's Legislative Council. Page 4

Stasi allegations
Senior East German Social Democrat quit parliament, amid allegations that unnamed candidates in his area had been Stasi security police informers.

New Zealand tremor
Wellington, New Zealand's capital, was rocked by an earthquake measuring 6.7. No damage or casualties were reported.

Deng's last post
China's leading political figure, Deng Xiaoping, relinquished his last post. Page 4

Chile suspends laws
Chile's Congress suspended laws inherited from the military regime. Page 6

Support for Lubbers
Dutch Prime Minister Ruud Lubbers' Christian Democrats won wide support in nationwide local elections but Labour coalition partners suffered defeat in early results.

Colonel Dubcek
Alexander Dubcek, Czechoslovakia's former Communist leader, has been reinstated as an army reserve colonel.

Mongolian President
Mongolia's parliament chose Punsalmaagiyn Ochirbat, the initiator of the open door policy, as its President.

Rothschild dies
Lord Rothschild, the Cambridge biologist, has died in London. He was 79. Page 8

Iris for US
J. Paul Getty Museum in California has bought Vincent van Gogh's 'Iris' from Alan Bond, the Australian businessman, for an undisclosed sum.

Babel of Brussels
European, lexicon of the European Community, has been attacked by consumer groups demanding plain language. Awards for incomprehensibility were presented to the director of European Research into Consumer Affairs (ERCA).

Business Summary

International trade growth likely to slow says Gatt

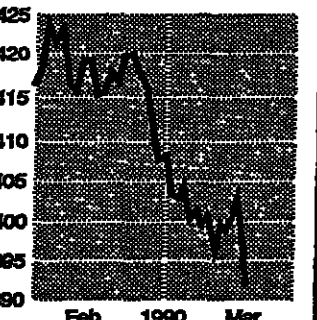
GROWTH in volume of international trade, one of the driving forces behind the expansion of the world economy, is likely to slow to between 5 and 6 per cent in 1990 from 7 per cent last year, according to the secretary of the General Agreement on Tariffs and Trade. Page 5

Brazil's new Government
announced that the country's service payments on its \$115bn foreign debt will be limited to a maximum of \$5bn this year. Brazil was to have paid \$10bn in interest and a further \$5bn in repayments of principal last year. Page 22

GOLD dropped through \$395 a troy ounce, an important technical support point, plunging \$6.75 to close in London

Gold price

\$ per ounce in London



at \$391.75 after a \$4.25 fall on Tuesday. Analysts suggested that the price would not return to \$400 an ounce for some time. Page 36

AUSTRIAN economy has performed impressively in growth and stability, according to the OECD, but the country still lags in deregulating its domestic markets. Page 3

EC has put its subsidies to the coal industry on the negotiating table in the Uruguay Round of Gatt, helping to break a deadlock in the group negotiating the liberalisation of trade in natural resource-based goods. Page 5

BOND CORPORATION, troubled flagship of Alan Bond, is to sell its Australian brewing and broadcasting assets to Bell Resources, its independently controlled subsidiary, averting a wind-up action which the offshoot had threatened. Page 27

JARDINE FLEMING, financial services joint venture between Jardine Matheson of Hong Kong and Robert Fleming of London, plans to set up a new stockbroking firm in Taipei once it has pulled out of a local partnership. Page 27

USX, US energy and steel group, attacked the break-up plan presented to shareholders by Carl Icahn, corporate raider and takeover specialist who owns 13.3 per cent of the company's equity. Page 24

STEELEY, UK buildings material group which has become France's biggest aggregates producer, will pay FF500m (\$149.1m) to purchase sand, gravel, limestone and ready-mixed concrete businesses owned by Vasco Gobitza around Paris. Page 23

SKF, world's leading roller bearings company, has acquired CR Industries (Chicago Rawhide) of the US, major US manufacturer of fluid sealing devices for automotive and machinery applications. The terms were not disclosed. Page 23

BAT INDUSTRIES, British conglomerate, saw pre-tax profits rise to £2.04bn (\$3.26bn) last year, a 24 per cent increase on the £1.64bn reported for the previous 12 months. Page 31

NEW ZEALAND will privatise New Zealand Telecom in a two-stage transaction involving the sale of a stake to a strategic buyer or buyers followed by a public share offering in various countries. Page 29

Moscow maps route to the market economy

THE full scale of President Mikhail Gorbachev's assault on the central planning of the Soviet economy emerged yesterday with the publication of a list of 30 items of legislation to be produced in the next 40 days to lay the basis for a market system, writes Quentin Peel in Moscow.

A team of economists drafted into the Government has been locked away in virtual seclusion, attempting to finalise what amounts to the rewriting of most of the laws governing economic activity.

The legislative list includes price reform, anti-monopoly

legislation, a foreign investment law, the establishment of an independent central bank and legislation on commercial banking. There will be decrees on the creation of a securities market, replacement of the system of central state orders and introduction of a single ruble exchange rate.

The plans were approved in a decree of the Council of Ministers - the Soviet Government - on March 11 but were only published yesterday. The decree instructs the working group headed by Dr Leonid Abalkin, deputy premier in charge of economic reform, to

produce draft laws or decrees on all the topics by May 1.

Some of the intended laws have sweeping titles, and their effect can only be determined by the final content. They include a law on "transferring to a planned market economy" and another on "freedom of economic activity and development of the spirit of enterprise."

Two decrees supposed to be issued by the Government - which may now be issued directly by Mr Gorbachev under his new executive powers - cover programmes for "de-monopolising" and "de-

nationalising" the economy.

Many of the most difficult issues are supposed to be brought in by government decree, not subject to amendment by the Soviet Parliament. They include raising prices for electricity, energy supplies, iron and steel, the implementation of new tax laws, credit reform and replacement of the system of state procurement orders.

Barely a month ago the Soviet Government backed down on the question of higher energy prices after the official trade unions threatened to call strike action.

The Supreme Soviet will itself be asked to issue decrees on the organisation of food supplies, which may include a proposal for cheap food outlets - virtual soup kitchens - for the poorest people hit by inflation. Other measures cover social security for low-income earners and the unemployed.

The list includes a law on indexing incomes to prices, which suggests Mr Gorbachev has rejected his economic advisers' plea that price reform must be combined with strict wage control. Soviet banker with revolutionary ideas, Page 21

London SE shake-up cuts 350 jobs, most committees

By Richard Waters in London

A SHAKE-UP of London's International Stock Exchange, involving the loss of 350 jobs and the axing of more than 80 per cent of the market's myriad committees, was announced yesterday.

The upheaval, orchestrated by Mr Peter Rawlings, the exchange's new chief executive, has resulted in 290 redundancies. A further 160 jobs are to be lost by natural wastage.

Further job losses are expected later in the year, after detailed reviews of the three new divisions covering primary markets, secondary markets and settlement services - through which the exchange will operate. Mr Rawlings refused to say how many of the remaining 2,500 staff would go.

He said of the changes: "Above all else, we are ensuring that the business that we are doing is business that actually facilitates the needs of our customers, rather than the needs of the ISE as an enterprise in itself."

The exchange said the restructuring would bring focus to its disparate operations and introduce a more commercial environment for its managers. The exchange has faced criticism from its members since its recent months over its escalating costs.

The market's large central services divisions, such as its services and markets areas, are to be broken up and their functions devolved to the three new divisions. These will each run largely independently, with responsibility for their own computing, rule-making and future development.

Each division will have its own management board, chairman and managing director. This will leave just three executive directors, besides Mr Rawlings, rather than the current nine. Of the existing nine executive directors, apart from Mr Rawlings, only two - Mr George Hayter, director of services, and Mr Stewart Douglas-Mann, will retain their directorships.

Mr Rawlings said: "There is in all of this a certain amount of demise of existing empires. There will be a considerable stringing down of the large number of existing committees which have accountability and responsibility for nothing, but which do wield an awful amount of power and certainly have a great ability to spoil."

Sterling, UK bonds fall as budget fuels inflation concerns

By Rachel Johnson and Peter Norman in London

THE pound and British Government bonds came under severe selling pressure yesterday as the financial markets rejected government assurances that Tuesday's budget was the toughest since 1981 and succumbed to fears about inflation and economic policy.

The pound touched a new low against the D-Mark and came close to an all-time low on its track-weighted index, despite active intervention in its support by the Bank of England. The pound lost 0.5 to close at \$85.5 on the index, the lowest level since October 1985.

The markets are bracing themselves for further losses in expectation of a defeat would be the candidate of the ruling Conservative party in today's parliamentary by-election in the constituency of Mid-Staffordshire, in the English Midlands. The result is not expected until Friday morning.

Traders said a defeat would bring political risk as well as economic uncertainty to the pound - and further undermine investors' confidence in sterling securities.

Initial disappointment with the budget - widely perceived by the markets as too weak to tackle the Government's economic problems - intensified as sterling was marked down sharply yesterday morning.

However, official reaction to the turmoil in the markets was cool. Mr John Major, the Chancellor of the Exchequer whose first budget it was, said: "The markets must make their own judgments on the budget. I will make my own judgments on

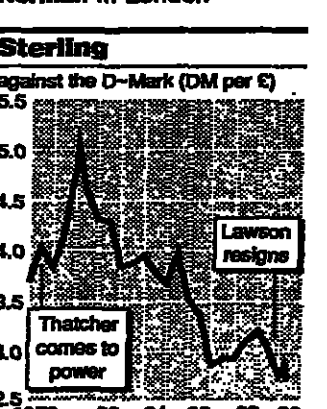
what I think is right for the economy."

He added: "Over the past five or six years whatever the budget judgment has been and whatever the budget has delivered in the short term, the market has tended to be adverse. But that has corrected itself after a reasonably short period."

Speaking to the press yesterday, Mr Major said he would not shrink from raising bank base interest rates - now 15 per cent - but he was "not prepared to react precipitately to short term movements."

The Bank of England had to perform an operation of dual support in both currency and gilts markets in an attempt to prevent further losses.

It bought gilt-edged securities from traders to prop up prices, which have fallen sharply since Mr Major began delivering his speech on Tuesday afternoon. Benchmark



long gilts have dropped three points in price to reach yields of 12.18 per cent, the highest levels since 1982.

Equities - the sole market on Tuesday to find encouragement in the budget - opened 20.3 points down yesterday on the FT-SE 100 share index at 2239.4. The FT-SE later lifted from the day's lows to close 9.4 down at 2250.3.

It was considered unlikely that Mr Major would raise rates before the end of polling in today's by-election. This sentiment contributed to sales of sterling and gilts, as did fears that trade figures for February, to be published today, would be poor.

The Chancellor said that his budget was "not geared to the very short term, and it wasn't intended to be."

However, economists said that both the short- and long-term outlook had worsened. The budget had prompted gloom that inflation in the UK would be higher than had been previously expected. Mr Paul Cherkow, currency and bond economist at Citibank, said that the "budget had given an additional impetus to inflation, while the fiscal stance was looser."

Sterling closed in London at DM2.7225, down a penny, and at \$1.5945, below Tuesday's \$1.6110. In New York it closed at \$1.5940.

Mr Major makes peace with banks and Lax, Page 22; LDC debt holders, Page 8; Market reports, Pages 29, 37, 44; Editorial comment and Economic Viewpoint, Page 20

Emergency imposed in Romanian town as six die in ethnic violence

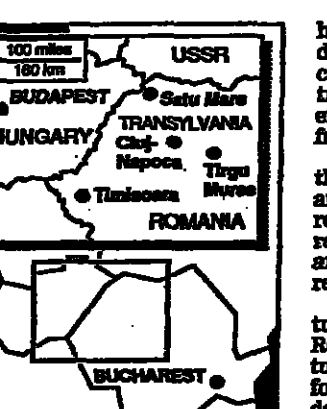
By Judy Dempsey in Budapest

ROMANIA's provisional Government yesterday imposed a state of emergency in the Transylvanian town of Targu Mures after violent and bloody clashes between the ethnic Hungarian and Romanian communities.

Bucharest Radio reported that six people had died and more than 300 had been injured in the town after both sides, armed with axes and pitchforks, attacked each other on Tuesday evening. The Grand Hotel, one of the largest in the town 280 miles north of Bucharest, was reported to have been wrecked.

The authorities surrounded the town with tanks, troops and armed police yesterday in an attempt to separate the communities. Bucharest Radio said the atmosphere yesterday remained tense but did not give the ethnic origins of the dead.

The bloodshed is a serious embarrassment to Romania's new regime which took power after the December revolution which toppled Communist dictator Nicolae Ceausescu. Hungary complained to



Romania and to the United Nations on Tuesday about the plight of its compatriots.

The Romanian community in Transylvania, which outnumbered ethnic Hungarians by four to one, has been angered by Hungarian demands for greater autonomy. The 2m-strong Hungarian minority in Transylvania is Europe's largest ethnic minority. Hungarian militants, who have vowed to stay on the streets until the Government

has conceded all their demands, are demanding education in Hungarian, local control over their affairs and an end to an inflow of immigrants from elsewhere in Romania.

The Hungarians, who had their language schools, books and newspapers systematically reduced under the Ceausescu regime, want to have their separate schools and universities restored.

In Cluj, one of the main cultural centres of the Hungarian, Romanian and Saxons intellectuals who have lived together for centuries, Hungarians are demanding that the Hungarian Bolyai University which was amalgamated with the Romanian Babes University in 1959, be separated.

Romanian authorities promised the restoration of all ethnic and cultural rights after Ceausescu's overthrow. However, following pressure from nationalist Romanians and particularly the extreme right-wing Vatra Romaneasca movement, which Hungarian and Romanian intellectuals describe as a fascist organisation,

CONTENTS

Czechoslovakia: Preparing to kick the security ladder away	15-18
Surveys: Namibia	15-18
Managements: How US group Arway penetrated the impenetrable Japanese market	14
Ballroom: Comments: Fine tuning on UK taxes; Sympathy for South Korea	29
Soviet central banks: Revolutionary ideas from the new state bank chairman	21
Less James Capel; futures and options; BATs; UK banks	22
UK budgets: Major effort to make peace with the banks	22
Europe	23
Companies	24
America	25
Commodities	26
Overseas	27
Companies	28
World Trade	29

Indian budget suffers a big deficit in decisions

The first budget of Indian Prime Minister V.P. Singh's Adminis-	20
tration pleased more people than the frail coalition could have dared to hope, but it did little to improve the competitiveness of the high-cost Indian economy	20
Page 4	
Management	14
Financial Futures	20
Stock Markets	27-28
Law	27-28
Technology	28
Unit Trusts	40-43
World Index	48

MARKETS

STERLING	DOLLAR	STOCK INDICES
New York close	New York close	FT-SE 100
\$1.594 (1.5)	DM1.7115 (1.707)	2,239.4 (-8.4)
London:	FF1.7785 (5.789)	FT Ordex
\$1.5945 (1.511)	SF1.5245 (1.523)	1,771.4 (-0.2)
DM2.7225 (2.725)	Y154.65 (154.38)	FT-A All-Share
FF1.915 (1.927)	London:	1,115.5 (-0.4%)
SF2.425 (2.425)	DM1.7075 (1.696)	New York close
Y243.75 (247.75)	FF1.7675 (1.772)	Dax Ind. Av.
GOLP	SP1.521 (1.519)	2,722.88 (-10.81)
New York: Comex Apr	Y154.15 (153.65)	S&P Comp
\$382.5 (383.5)	Index: 68.5 (68.5)	341.5 (-0.07)
London:	US Inflation rate	3.4%
\$381.75 (381.5)	Fed Funds 6 3/4%	3-mo Treasury Bill:
at SEA OIL (Argus)	3-mo Treasury Bill:	yield: 8.22%
Brent 15-day May	Long Bond:	100%
\$18.175 (18.1)	yield: 8.47%	

STOCK INDICES	LOWDOWN MONEY
FT-SE 100	3-month interest rate
2,239.4 (-8.4)	closing 15.1% (16.2)
FT Ordex	Life long gilt futures
1,771.4 (-0.2)	June 80% (81.2)
FT-A All-Share	
1,115.5 (-0.4%)	
New York close	
Dax Ind. Av.	
2,722.88 (-10.81)	
S&P Comp	
341.5 (-0.07)	

This announcement appears as a matter of record only.

£37,000,000 Management Buy-out

of Nottingham Group Ltd and acquisition of E. J. Arnold & Son Ltd by Loregem Ltd (a company formed by management)

3i plc and Citicorp Venture Capital Limited acted as joint lead investors

Equity provided by

- 3i plc
- Citicorp Capital Investors
- Charterhouse Development Capital Limited
- CIN Venture Managers Limited
- Legal & General Ventures Limited
- Mercury Asset Management
- Midland Montagu Ventures Limited
- Philidrew Ventures
- SUMIT

January 1990

Nottingham GROUP

CITICORP VENTURE CAPITAL

Citicorp Venture Capital is a Member of The Securities Association. 3i plc is regulated in the conduct of investment business by S.F.

EUROPEAN NEWS

Moscow unveils draft law on new federal structure

By Quentin Peel in Moscow

THE Soviet authorities yesterday tabled draft legislation on a new Union Treaty between all 15 Soviet republics and on the procedure for a republic to secede, in a belated attempt to hold up a rash of independence demands.

The move came as President Mikhail Gorbachev ordered Lithuanians to surrender all weapons and called for tougher visa restrictions and border checks as part of a crackdown on the republic's self-proclaimed independence.

His orders, contained in a decree in line with new powers accorded him last week, were issued two days after the republic's new leadership defied orders to return to the

Soviet fold. The new law will give joint jurisdiction to the republics and the union for a "common union market" across the federation, with a single monetary and banking system but local autonomy to govern land use, employment, the environment, and other sensitive issues.

Both bills presented to the Supreme Soviet in Moscow would appear, however, still to be heavily weighted against the far-reaching demands for sovereignty from many of the non-Russian republics. They are certain to be bitterly criticised in the Baltic republics and Georgia, where independence movements are strongest.

Deputies from Lithuania

immediately rejected the second law as irrelevant to their case, insisting that their republic has already effectively left the union before any such law was on the statute books.

Meanwhile, the Supreme Soviet (parliament) in Georgia decided to cancel next Sunday's republican elections and postpone them until October, on a multi-party basis. The parliament also abolished the monopoly role of the Communist Party.

The proposed amendments to the Union Treaty are intended to form a genuine federation in the Soviet Union, but the treaty leaves sweeping powers with Moscow.

Hungarians face poll booth bafflement

By Nicholas Denton in Budapest

HUNGARIANS have always prided themselves on their cleverness and their ability to make good compromises. The extraordinarily complicated system which they have devised for this Sunday's elections is in the best Hungarian tradition.

Mr Peter Tolgassy, one of the framers of Hungary's new democratic constitution, describes the electoral law as "part French Fifth Republic, a bit Italian, a little bit German, with some Finnish thrown in." It compares in intricacy only with that of the Finns, who are in any case one of the handful of races related to the Hungarians.

Some say that Mr Tolgassy, a candidate of the opposition Alliance of Free Democrats for Prime Minister, is the only man in Hungary who understands how the system works.

EASTERN EUROPE ELECTS



Parties in the forthcoming election can win seats in the 386-member parliament in three ways: 176 constituencies will each elect one representative; 183 seats will be allocated — county by county — by proportional representation; and the remaining 89 will give token compensation to those parties too small to win many seats by either of the first two methods.

Last time, the voters in all constituencies in which no candidate gains more than 50 per cent, those in the top three places or with over 15 per cent of the vote will go through to a second round. In this, the winner needs only a simple majority.

Last summer, when the opposition groups and the ruling communists sat down to hammer out a new electoral law and every week saw the formation of a new party, the fear was of political fragmentation.

The Free Democrats argued for a two-round vote. In the first round, voters would elect a majority government.

French model. "Our aim was to make the country governable," said Mr Tolgassy. This proposal was diluted as a concession to other opposition parties who wanted a pure form of proportional representation.

Nevertheless, the compromise is so cleverly hedged about by conditions in the small print that it will ruthlessly discriminate against small parties — and this includes the ruling Socialists — and so the next parliament is likely to be dominated by only three parties.

The Hungarian Democratic Forum, the Smallholders Party and the Free Democrats each have the support of around 20 per cent of the public but stand to win over 80 per cent of the seats between them. Any two of them could then form a majority government.

France to free up telecom and post sectors

THE FRENCH Government yesterday tabled sensitive legislation to free up telecommunications and postal services from direct ministerial control and turn them into independent state-owned companies, writes William Dawkins in Paris.

The aim is to help France Telecom compete better in an increasingly international telecommunications industry and to encourage the post office to widen its services, said Mr Paul Quilès, Minister of Posts and Telecommunications. His project will be considered in the parliamentary session starting next month.

The scheme, which has been in gestation since last autumn, would allow the post office to sell insurance for the first time from its 17,000 branches. It would not, however, be allowed to open postal banks, as hoped for by Mr Quilès, but opposed by Mr Pierre Bérégovoy, the Finance Minister. Unions have criticised the plan on the grounds that they see it as a threat to their protected status as civil servants, though the new plan says this would be preserved.

Czechs prepare to kick ladder away behind them

Creating a new system involves forgoing security of old one, writes Guy de Jonquières

ON THE face of it, most other East European countries would happily settle for Czechoslovakia's economic lot. Living standards are among the region's highest, inflation is moderate and staple commodities are in reasonable supply. There is a small surplus on hard currency trade and foreign debt, at about \$7bn, is modest by Polish and Hungarian standards.

Czechoslovakia also has an industrial base. Though distorted investment priorities and autarkic central planning have bequeathed many dinosaurs, particularly in steel and heavy engineering, there is still a residual manufacturing culture, underpinned by a good standard of vocational training.

However, as the Government sets out to create an open market economy, it is growing uncomfortably aware that these relative strengths are a double-edged sword. For all its faults, the existing system provides a safety net of a kind. It is unclear how far the mass of Czech people will be ready to surrender it for the lower living standards and, in some cases, unemployment which reform will unavoidably entail.

Outwardly, Czech policymakers are unanimous in rejecting economic shock ther-

apy in favour of what Mr Vaclav Klaus, the finance minister, calls "credible gradualism." But this show of solidarity cannot disguise growing strains between them over how to proceed with reform.

So far, they have agreed to create a budget surplus, to be achieved mainly by cuts in subsidies to the armed forces and agriculture, and on laws on private enterprises and joint stock companies. However, plans to privatise state enterprises have been delayed by disputes between Mr Klaus and his colleagues over how many should remain in state hands and the mechanisms for controlling them.

With parliamentary elections scheduled for June 8, ballot-box psychology is increasingly starting to intrude. Some in the Government want to capitalise on the strength of popular support by starting to impose painful reforms now. Others want tough measures deferred until after the elections, hoping they will produce a government with a strong mandate for reform.

Either way, the economic agenda looks formidable. A move to market pricing is widely regarded as essential if the economy is to be opened to real competition and made more transparent. Yet the Gov-

ernment also fears that freeing prices before breaking up producer monopolies would simply fuel inflation. But which should come first? Without an effective pricing mechanism, it is not obvious how state-owned assets can be re-allocated on a sensible basis, still less privatised.

As the Government sets out to create an open market, it is growing uncomfortably aware that the economy's relative strengths are a double-edged sword.

The accounts of state enterprises are, in any case, practically useless, and expertise is in short supply. One western accountant estimates that there are no more than 100 auditors in the country "and many don't really know what goes on which side of a balance sheet."

Similar skills shortages pervade the economy. Though the monolithic banking system has been divided into seven institutions, which are being encouraged to compete, few Czech bankers have ever done much more than funnel credit into state enterprises on orders

from central planners. Since more than 30 large state industries are officially reckoned to be technically insolvent, the worth of the banks' assets can only be guessed at.

"I consider my staff as participants in a huge seminar," says Professor Miroslav Trnka, general manager of Investiční Bank. "We know very well what we don't know, but we don't even have enough money to pay someone to teach us."

Potentially still more pressing is the challenge of streamlining obsolete and over-manned industries. Steel is a particularly chronic case, producing a ton of product a year per inhabitant — more than any country except Luxembourg.

However, steelworkers are among the highest-paid and most militant manual workers in the country. Large-scale redundancies would risk triggering political unrest — all the more so if they coincided with cuts in subsidies for food and other consumer goods.

Some officials in Prague think a social welfare system will be needed to cushion the blow, though they have little idea how it would be funded.

Time may not be on their side. Already, reduced demand is threatening the large national arms industry, con-

centrated in the depressed region of Slovakia. Deepening Soviet economic difficulties spell further problems. The Soviet Union takes almost a third of all Czech exports and 70 per cent of engineering exports, mostly of too low a quality to be sold on western markets.

Many of Czechoslovakia's hopes for economic regeneration rest on foreign investment and the unmaking of private initiative. It is too early to judge how far official optimism about the first of these is justified.

Several joint ventures have been set up in the past year, chiefly with Austrian and German companies, and General Electric of the US is discussing an investment in the Skoda engineering group. Volkswagen and BMW, the West German motor groups, have both bid "exploratory" bids for Skoda's vehicle division. But no really big projects involving foreign capital have been announced.

In a country where state ownership and control has extended to planning services and businesses, there is ample scope for home-grown private enterprise. There is also plenty of interest. A self-styled association of independent businessmen has recently been formed in Prague, which claims that as many as 300,000 new businesses will be set up this year.

Availability of finance does not appear to be a serious problem. Informal estimates put the value of "under the counter" money of it in hard currency earned from the black market — at DM2bn or more. More doubtful is the quality of home-grown investment opportunities on offer. One government official thinks 50 per cent of new businesses will still be because their founders do not know how to manage risk.

Faced with each an array of challenges, Prague's economic reformers find themselves increasingly exhausted, at leasting, and daunted by the task ahead of them.

As one puts it: "It's one thing to criticise the shortcomings of the old regime. It is quite another to be part of the system, to have to look for solutions and to feel the weight of responsibility on your shoulders."



President Vaclav Havel, on a visit to the UK, leaves the House of Commons yesterday with a souvenir of his meeting with the Speaker in Westminster — a book on the British Parliament

Free marketer winning fight over pace of reform

By John Lloyd, East Europe Editor

MR VACLAV Klaus, the leading free-market reformer in the Czechoslovak Government's economic team, appears to be winning the struggle over the pace of economic reform as the country faces all-around price rises within the next few weeks.

Mr Marian Cifka, the prime minister, told a television audience who quizzed him on the 100th day of his Government's rule, that faces on public transport, the first day of the new year, will rise in a few weeks — and that rents and many types of food would also go up over the next few months.

Mr Klaus, who will present what is forecast to be a tough budget early next week, is likely to win his battle to set up a department charged with privatising the state enterprises within his ministry. He and other ministers and economists see this as an essential mechanism to carry through the privatisation of the enterprises, which have been under the effective control of their

directors and works councils since the decay of the formerly ruling Communist Party.

Mr Klaus is also about to carry out his threat to leave the exchange rate mechanism of Cenelec, the grouping of the formerly communist states. This will allow Czechoslovakia to negotiate bilateral exchange rates between itself and other member countries.

The barely concealed rivalry between Mr Klaus and Dr Vaclav Komarek, the first deputy prime minister, has slowed the production of a strategy.

However, Dr Komarek, on a visit to South America, gave a hostage to fortune by apparently issuing an invitation to General Pinochet, the former President of Chile, to visit Czechoslovakia. The Czechoslovak Government issued a statement saying Dr Komarek was not competent to issue such an invitation, while Dr Komarek said that the invitation had been to the Chilean economic advisers who had lessons to teach his country.

Lisbon privatisation plan clears hurdle

Portugal's Constitutional Tribunal has given the green light to the Government's privatisation programme, writes Patrick Hume in Lisbon.

The tribunal yesterday confirmed that a new privatisation law recently approved by the Portuguese Parliament was constitutional, thereby ending the uncertainty surrounding this year's planned government privatisation.

Doubts about the law's constitutionality were raised in parliament last month by the Communist Party.

Security clamp at Jewish transit point

Police have increased security at Budapest airport after a Moslem group threatened to attack airports and airlines used to take Soviet Jews to Israel, a Hungarian newspaper reported yesterday. Renter reports from Budapest.

Magyar Hirlap quoted a senior police officer as saying that anti-Semitic commands had been received at the airport and co-operation stepped up between police, border guards and security staff of Hungary's Malev airline.

Budapest's Ferihegy airport is an important transit point for thousands of Soviet Jews emigrating to Israel since the start of this year.

Turkish curfew after deaths in clashes

Four people were killed and nine wounded in clashes between security forces and Kurdish demonstrators in the south-eastern Turkish town of Cizre, near the Syrian border, state-run radio said yesterday. Renter reports from Ankara.

It said the town, in a region where Marxist Kurdish Workers Party (PKK) guerrillas are active, was under curfew.

Allianz joint venture in East is finalised

East German insurance company Staatliche Versicherung der DDR said Allianz Holding AG would take a 49 per cent stake in Deutsche Versicherung AG, a joint venture between the two insurers, Renter reports. A spokesman for the state-owned Staatliche Versicherung also said the East German council of ministers had agreed to transform the insurance company into a joint stock company (Aktiengesellschaft) on May 1.

'Fast track' plea on E Germany

By David Buchanan in Brussels

EAST GERMANY can and should be absorbed — via West Germany — into the European Community within a couple of years and without much cost to non-German members, Bonn's senior Commissioner said yesterday.

Mr Martin Bangemann also predicted that Chancellor Helmut Kohl, who visits the Brussels Commission tomorrow, was ready to put his weight behind new moves towards European political union, even though he did not want to tackle European monetary union negotiations until after this autumn's West German elections.

East German entry into the EC, via the fast legal track of Article 23 of the West German constitution allowing outside regions to simply vote to

adhere to the Federal Republic, would be the best solution, Mr Bangemann said. This would not involve any interruption in Germany's international obligations, which would henceforth have to include East Germany's contractual economic ties to its Comecon partners.

In a previous three phases in East Germany's absorption into the EC. The first of perhaps a few months would be unity negotiations between Bonn and Berlin, in which Brussels would want an immediate say on certain issues like agriculture and EC control of German state aid.

Once unity was decided, there would be two further phases: the first until East Germany actually became EC territory, probably in mid-1992, and the second continuing for

MEP threat to block cash for environment agency

By Tim Dickson in Brussels

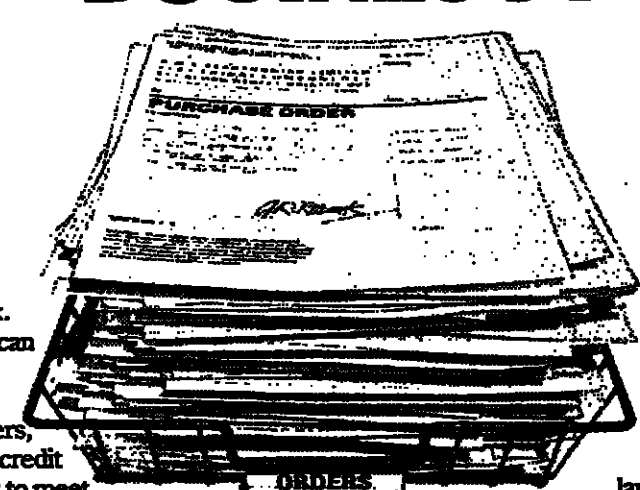
THE CHAIRMAN of the European Parliament's influential environment committee, Mr Ken Collins, yesterday threatened to block the new European Environment Agency unless EC member states made a clear commitment to enhancing its powers.

In an interview before today's meeting of EC environment ministers, he said he would advise colleagues to withhold EC budget funds for the agency if certain "moderate" demands of the Parliament were not met. At the very

least the agency must be allowed to verify the accuracy of information and data supplied to it by member states.

Three compromise amendments tabled by the Parliament would significantly increase the agency's authority by adding inspection and enforcement powers. Most of these ideas are unpalatable to ministers, who want the agency's functions confined to analysing, comparing and distributing data supplied by governments on the state of the EC environment.

IS SUCCESS THE GREATEST THREAT TO YOUR BUSINESS?



It may sound like a paradox. But a full order book can create a whole host of problems.

What about slow payers, or new customers with no credit rating? How do you expand to meet demand when your money is tied up in your sales ledger?

With Intrum Justitia a successful business can be just that. A success.

Our dedicated approach to cash collection will reduce your exposure to slow payers, thus narrowing the gap between invoice

increased profits.

We can also check the credit rating of almost any customer you can name, in the UK or throughout the world.

Intrum Justitia is Europe's largest and the world's third largest Group in credit management and debt recovery services. By providing a complete suite of domestic and international credit management support, we'll help you make the most of your success.

Telephone Brian Keegan on 01-423 3355 or fill in and post the coupon today.

intrum justitia

The European Credit Management Corporation

Send to: Intrum Justitia, 54-56 High Street, Harrow-on-the-Hill, Middlesex, HA1 3LL.

Please send me more information on the following services offered by Intrum Justitia companies in the UK.

Justitia Unico ☐ Intrum Information ☐
Debt Recovery ☐ Credit Reporting ☐
Credit Systems and Services ☐ International Credit Reporting ☐
Intrum International ☐ Intrum Insurance Services ☐
International Debt Recovery ☐ Export Credit Insurance ☐

Name
Position
Company
Address
Postcode
Telephone

Gatwick —
— Rotterdam
5 flights daily
— Antwerp
4 flights daily
— Guernsey
5 flights daily
Manchester —
— Guernsey
1 flight daily
— Jersey
1 flight daily

Weekend schedules vary.
For reservations contact your
travel agent or Air Europe on
Lifeline (0504) 44577.
air europe

السلامة، الجيد

EUROPEAN NEWS

Old European ghosts return to haunt Germany

Prospect of unification is prompting an ambivalence which is in the interests of neither west nor east

THE VOTE in East Germany and the prospect of high-speed German unification have summoned up national spectres that had seemed to have been put to sleep. In public all governments, east and west, assiduously recognise the German right to self-determination, but behind their hands they all mutter about ways to contain, constrain and confine this freedom. Before last Sunday, the British Government was openly espousing a long, slow, phased process of unification, even though this was clearly not what the Bonn Government wished. The French Government had dramatically stepped away from its close relationship with West Germany by lining up spectacularly with Poland, to put pressure on Chancellor Helmut Kohl to re-affirm the permanence of the Oder-Neisse frontier. Neither London nor Paris was well advised to behave in this way, which were counter-productive for the interests of Britain, France and the west. The most likely consequence of a long process of unification would be to call in question the existing international rights and obligations of West Germany. Whereas it is obviously in western interests, and in the interests of the Soviet Union that these (West) German rights and obligations should be disturbed as little as possible, because disturbance means instability. The west wants a united Germany to remain in Nato. The present

Government in Bonn says it wants to do so. The Soviet Union ought to want a united Germany to stay in Nato, since any alternative (such as neutrality) would be less favourable to Soviet interests, and much less favourable to those of the Soviet Union's neighbours in eastern Europe. But continued German membership of Nato would be a highly uncertain issue if it had to be negotiated, first

IAN DAVIDSON ON EUROPE

between the two German states, then in the context of the Four Powers. The British Government, like the Soviet one, has repeatedly endorsed the principle of keeping the two alliances in being, as a factor of geo-strategic stability. This outcome can only be optimised if German unification makes the fewest waves; and that means a rapid absorption of East Germany by West Germany. Happily, the vote in East Germany has excluded the misguided British preference for a wide-open negotiation. The muffled quarrel between Paris and Bonn over the Oder-Neisse line has been equally unfortunate. Chancellor Kohl's deliberate rendering to the revanchism of a minority on his right has been distasteful and unscrupulous, but it

does not affect the real world. In the real world, no German Government can change the German-Polish frontier by any mechanism short of war. Did President Francois Mitterrand think this might be such a serious danger that it needed to be averted by a spectacular alignment between France and Poland against West Germany? The idea is absurd. Did he think the issue could be finally disposed of before unification? Of course not. When I was in Moscow recently, a Soviet foreign policy specialist contrasted the historical and developmental time-lag between the two halves of Europe. Western Europe, he said, was moving into the 21st century, because it had developed advanced new methods for handling relations between states, in the framework of the European Community. But eastern Europe was awakening from a long sleep into the 19th century, with all the old unresolved conflicts between nationalities and nation-states. There is probably more than a grain of truth in both halves of the synthesis. With every passing year, the organic dynamism of the EC system proves itself more spectacularly; while reports of violence between Armenians and Azerbaijanis, or between Romanians and their Hungarian minority, offer a terrible commentary on just one of the side-effects of the long Stalinist freeze.

And yet western reactions to the prospect of German unification show that the civilised advances of European integration are very recent compared with the old reflexes of nationalism; and that, despite 45 years of reconciliation, there are primitive national feelings which lie only millimetres below the skin. The British Government was giving way to its fears of German power; the French Government was pandering to the primitive strain of anti-Germanism in France which has survived decades of Franco-German rhetoric. The simple issue of Nato membership is often handled about as the litmus test of German unification. But the real issue is German sovereignty, and that, surely, is the heart of what the Germans are after. When the two Germans are united, will they be a sovereign and independent country, more or less like any other; or should its independence continue to be constrained by the legacy of the Second World War? It seems clear that the Soviet Union, and other countries in eastern Europe, will seek to constrain the sovereignty of the new Germany; if they cannot prevent it remaining in Nato, they will seek to constrain the military forces in Germany, both nuclear and conventional, German and allied. And the Soviet Union, as one of the Four Powers with entrenched post-war rights in Germany, will use its position to bring about this result

and even to keep these rights alive in perpetuity. By contrast, it is obviously in Western interests to maximise German sovereignty, once the loose ends left by the Second World War are tidied up in an appropriate international settlement; because the Germans may not remain politically anchored to the West if they feel that they are going to go on being treated as second-class citizens. Yet it is not clear that either Britain or France really wants Germany to recover full sovereignty. In this context, however, there is one big difference between France and Britain, and this is their attitude to the European Community. The French Government has long pressed for further integration of the EC partly because the increasingly federative structures of the EC offer an even-handed solution to the problem of Germany. Economic considerations play an important part as well, of course: a larger market, currency stability, negotiating strength vis-à-vis Japan and the US. But the bottom line is that France is prepared to trade the sharing of its political sovereignty, in return for the sharing of German sovereignty, through institutions which are based on democracy and the rule of law. Unfortunately, Mrs Margaret Thatcher, the British Prime Minister, still appears to think that she can maximise British sovereignty, and yet not prompt Germany to want the same.

OECD prescribes competitive dose for Austrian economy

By Ian Davidson in Paris

THE AUSTRIAN economy has performed impressively in terms of growth and stability over the past two years, according to the latest national report by the Organisation for Economic Co-operation and Development. But the OECD points out that Austria is still a laggard in deregulating its domestic markets, and recommends stronger efforts to make markets more responsive to competitive forces. In the past two and a half years, the Austrian economy has experienced a period of vigorous expansion, with output growing at rates of around 4 per cent since late 1987. Growth was given a greater stimulus than expected by the 1989 income-tax reform; and though domestic-demand growth is likely to weaken, the organisation predicts that the slowdown of aggregate demand is likely to be moderate, given sustained growth in the rest of OECD Europe. However, unemployment has been low by international standards and a further reduction is likely to be moderate. Accordingly, the OECD warns about a danger of revived inflation, since recent wage settle-

ments have been running significantly above previous trends, and are higher than in some competing countries. An important factor behind the recent good price performance, says the OECD, has been an unsustainably rapid advance in productivity. With productivity growth now setting back towards its estimated underlying trend of 2.2% per cent, cost pressures will be felt more strongly, putting pressure on the ability of Austrian companies to compete abroad. The report says Austria appears to be one of the more regulated economies in the OECD area. Its strong corporatist leaning, while maintaining inflation and unemployment below the average of its trading partners, has also favoured the maintenance of barriers to market entry. Determined steps to strengthen competition in goods and services would therefore seem desirable, says the OECD. Rules on mergers and acquisitions, joint ventures and licensing agreements should be based on explicit economic criteria rather than being governed by vague notions of "public interest".

Truce called in French Socialist party quarrel

By Ian Davidson

RIVAL CHIEFTAINS of France's ruling Socialist Party patched up their conflict for control of the party at dawn yesterday, after 12 hours of negotiations, with a compromise which has been hailed as a truce. Following four days of deadlock at the party congress last weekend, yesterday's deal represents an 11th-hour effort to avoid, or at least postpone, an irrevocable and paralysing split. The essence of the deal is that there will be a more equal sharing of top posts between the two leading factions in the traditional Mitterrandist wing. The compromise openly recognises that the latter-long the dominant force in the party, is effectively split in two. At stake is the party leadership in the run-up to the next general election in 1993, and ultimately the inheritance of the mantle of President Francois Mitterrand in the selection of the Socialist candidate in the presidential elections in

five years' time. Mr Laurent Fabius, youthful president of the National Assembly and favourite of Mr Mitterrand, has openly laid claim to that inheritance by campaigning independently against the existing party leadership, but this time he has failed to carry off a conclusive victory. In the grass-roots canvassing before the party congress, he secured just under 30 per cent of the votes of the militants, neck-and-neck with the team led by Mr Pierre Mauroy and Mr Lionel Jospin, the present and past first secretaries of the party. But in the final confrontation, Mr Fabius was forced to accept second place to the Mauroy-Jospin team. Under yesterday's compromise, Mr Mauroy will keep his position as first secretary but the number two spot, the national secretary for co-ordination, currently held by one of Mr Jospin's men, will now be handed over to the Fabius clan.

Current account deficit widens greatly in Greece

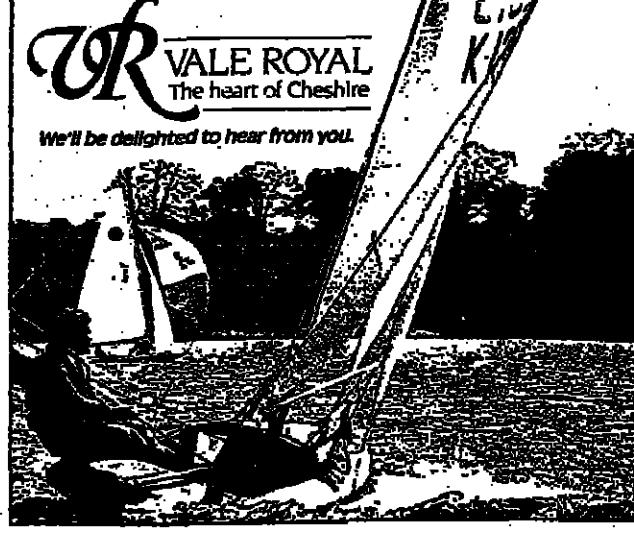
By Kerin Hope in Athens

GREECE'S current account deficit for January totalled \$534m, a staggering increase over last year's figure of \$134m, according to central bank figures. A surge in imports pushed the visible trade gap to \$1,028m, 50.4 per cent higher than the previous January's \$674m. An official said imports were stockpiling goods in case the drachma depreciated rapidly if the April 8 election produced another hung parliament. Exports fell by just 5.3 per cent to \$448m, while invisible receipts declined by 12.7 per cent to \$784m, led by a 21.5 per cent drop in transfers by

Greeks working abroad. Imports of funds earmarked for building homes fell by 16.5 per cent to \$56m. Capital inflows showed a sharp increase, from \$272m in January 1989 to \$1,115m, but more than \$900m of that was raised by a one-year government bond issue index-linked to the Ecu. January's figures follow a steep increase in the current account deficit for 1989, which totalled \$2,570m compared to \$677m the previous year. However, foreign exchange reserves remained stable at \$4,680m, compared with \$4,770m at the end of January 1989.

HARD AT WORK IN VALE ROYAL

Locating your business in the heart of Cheshire gives you the benefit of excellent communications and a first-class selection of business premises. These include the prestigious new 15 acre Cadbrook Business Centre with both office and industrial units. But Vale Royal gives you much more besides - it gives your whole family an excellent quality of life. Find out more about the heart of Cheshire for your business. Phone Tricia Howe on 0506 592021 or write to her at: The Industrial Development Service, Vale Royal Borough Council, Over Hall, Beeston Drive, Winsford, Cheshire CW7 1ES.



Software and data from different sources don't always see eye to eye.

IF YOU MANAGE AN INTERNATIONAL INVESTMENT PORTFOLIO, WHY NOT GET YOUR SOFTWARE AND DATA FROM THE SAME SOURCE? IT'S THE ONLY WAY TO GUARANTEE A HAPPY MATCH. EXTEL FINANCIAL HAVE OVER 20 YEARS EXPERIENCE OF CUSTOMISING SOFTWARE TO THE NEEDS OF THE INVESTMENT MANAGER. AND OVER 100 YEARS EXPERIENCE OF SUPPLYING DATA. WE TAKE A PRIDE IN UNDERSTANDING AS MUCH ABOUT YOUR BUSINESS AS WE DO ABOUT OUR OWN. WHICH IS WHY WE HOLD REGULAR CUSTOMER WORKSHOPS TO HELP KEEP US ABREAST OF MARKET REQUIREMENTS. OPTIONAL MODULES SUCH AS DEALERLINK, OUR 'DEALS-IN-PROGRESS' AND REAL-TIME CASH MANAGEMENT FACILITY, ARE THE RESULT OF THIS DIALOGUE. WE ALSO ANTICIPATE HOW FORTHCOMING LEGISLATION WILL AFFECT YOUR NEEDS. THE INTRODUCTION OF HOURLY PRICING FOR UNIT TRUSTS WAS A CASE IN POINT AND DEMONSTRATES OUR COMMITMENT TO MEETING ALL YOUR FUTURE REQUIREMENTS. MAKE A DATE WITH US. IT COULD BE THE START OF A LONG AND HAPPY RELATIONSHIP. CONTACT KATE WATSON ON 01-253 3379.

EXTEL
Financial
A United Newspapers Company

COMPANY DATA • SECURITIES • TAXATION • NEWS • INVESTMENT SERVICES

OVERSEAS NEWS

Hong Kong measures to smooth path to democracy

By Angus Foster in Hong Kong

THE HONG KONG Government yesterday announced a cautious package of electoral changes in the lead-up to next year's first direct elections to the colony's Legislative Council.

The changes, which the government said were intended to ensure a smooth transition towards greater democracy, appeared designed to prevent any one political group becoming dominant and to balance power between the Government, its appointed members and directly elected councillors.

The Government also kept the minimum voting age at 21, at least until the next elections in 1995. The decision angered the liberal camp, which is likely to win votes among the young.

Under the terms of the Basic Law, Hong Kong's mini constitution following its reversion to China in 1997, 15 out of a total of 60 legislative councillors will be directly elected next year. The colony will be split into nine constituencies, each returning two councillors on a first past the post basis.

The system seems designed to ensure voter interest, since the constituencies are relatively small, but also large enough to stop well known

local politicians dominating their own areas.

The Government has also decided to increase the number of functional constituency seats, elected by professions and organisations like accountants or trade unions, to 21 from the present total of 14.

The seven new functional constituencies include the tourism industry, financial services and construction and engineering. The trade unions, which hoped to be granted a third functional seat, were disappointed. The preference towards big business for the new functional constituencies again suggested that the Government hopes the new seats will counter directly elected members.

All government representatives except for the chief secretary, financial secretary and the attorney general will retire from the council after the 1991 election. However the Government will continue to appoint members, usually chosen from Hong Kong's prominent individuals, although the number will drop to 17 from 20.

The Government is also proposing to appoint a deputy president to the council to take charge when the Governor is away.

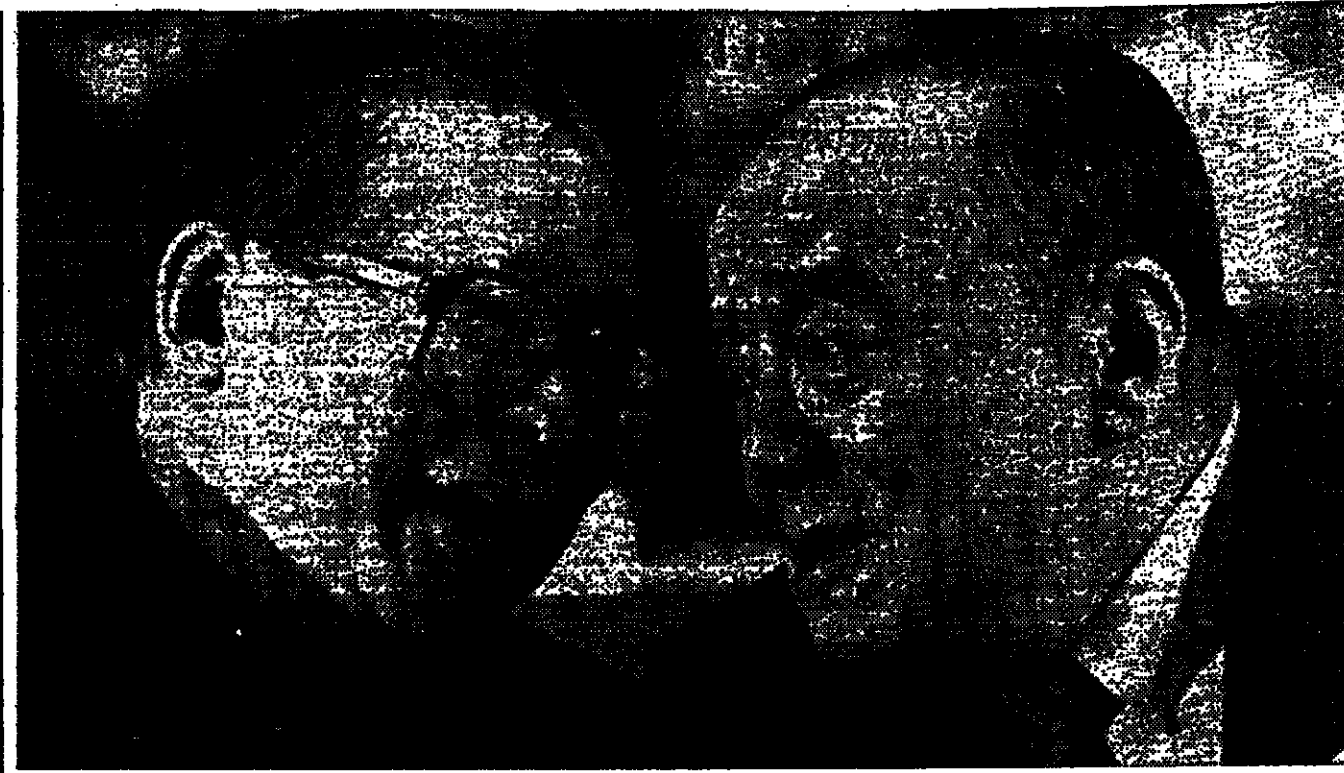
The deputy president is

likely to be a senior legislative councillor. The appointees could have an advantage in 1995 when the legislative council will elect the future president of Hong Kong from among its own members.

Some of the details for the elections, such as expenses and deposits, are still to be ironed out. However with the system now in place, the Government is keen to make the elections a success. It believes that if China sees Hong Kong remains stable after some of its leaders are directly elected, the colony has a better chance of persuading China to allow more democracy.

With many Hong Kong people disillusioned about democracy since China dashed their hopes about the Basic Law, voter turnout next year will be crucial. At the last major elections in Hong Kong - for the district board in 1988 - only 30 per cent of the 1.6m registered voters cast a ballot.

Registered voters have since increased to 1.8m and the Government hopes to add a further 500,000 before the elections through an awareness campaign. The Government must also hope the political awareness of Hong Kong following last June's events in China will not have worn off.



Jiang Zemin, Communist Party chief, and Yang Shangkun, President, put their heads together at the National People's Congress

Deng ends half a century in high office

By Peter Ellingsen in Peking

AFTER half a century of holding high office in the Communist Party, China's most important political figure, Deng Xiaoping, yesterday relinquished his last post. But even as China's Parliament, the National People's Congress (NPC), accepted 85-year-old Deng's resignation from the State Central Military Commission, there were few who believed it would now be a matter of Citizen Deng.

While Li, a hardliner, is now in the hot seat and must salvage the economy to preserve his position, Deng has stayed away from the tedious, ceremonial ramblings of the NPC, engaged in the real business of reconciling a deeply-divided regime. If yesterday's government work report is a guide, that is a thorny task that even

mercenary Deng has not mastered.

In spite of protestations to the contrary, NPC documents show the Party split and the economy in crisis. As a Western diplomat pointed out, all the contradictions apparent after the quelling of the upsurge last year, are still in the air.

"Basically," the analyst said, "the Government is buying time, in a bid to keep the lid on stability while it tries to improve the economy. There were no solutions, just strict ideology to placate the hardliners, and a pragmatic message that the economy's a mess and more belt-tightening's ahead."

The Government has said it will mildly stimulate the economy to achieve its goal of a 5.3 per cent growth this year.

However GNP will have to reach about 9 per cent for several months to make up for negative industrial output in the first months of 1990. Some observers think this is impossible, or if it does happen, that it will open a return to the record inflation of 18 months ago.

The dilemma was acknowledged by Wang Fuzhen, the Finance Minister, who told the NPC yesterday that "the condition of the State budget this year is grim." Wang conceded there was "an outstanding contradiction in the supply and demand of funds and the financial balance was precarious (with) state deficits (having) exceeded the budgeted amounts." It is China's fifth consecutive deficit and the 11th in the last 12 years.

"We must fully recognise the

danger in running a deficit and start thinking in terms of a balanced budget," Wang said, although this could not be done quickly.

Some debts must be paid, however. The military, called upon to crush last June's pro-democracy unrest, was allocated nearly 29bn yuan (23.5bn), up 15 per cent over last year.

This year 12.4bn yuan has been set aside for domestic debt, now running at about 80bn yuan and 7bn yuan for foreign loans, which total about 44bn (22.5bn).

China faces a repayment peak in the next few years when it will have to find \$8bn in interest and principal. But Wang stressed: "We're fully capable of repaying foreign debt."

Australia's loan rates expected to fall after economic slowdown

By Chris Sherwell in Sydney

AN UNEXPECTED quarter-on-quarter contraction in the economy has reinforced predictions of a fall in Australian domestic interest rates after Saturday's federal election.

The figures for the December quarter underlined dramatically the scale of the slowdown wrought by a prolonged regime of high interest rates. In the prevailing hot-house atmosphere, it also prompted immediate suggestions that the country was already in the midst of a recession.

The Labor Government, seeking re-election for a fourth term, said the figures confirmed its policy of dampening demand had worked, vindicated its decision to relax monetary policy in January and justified its controversial predictions that rates would fall further after election day.

The Liberal-National coalition, out of office for seven years, pointedly accused Labor of running a "scorched earth policy" which, by depending so heavily on interest rates, had driven the economy into recession with worse to come.

Publication of the national accounts statistics showed that Australia's gross domestic product, seasonally adjusted, had fallen by a real 0.2 per cent in the three months to the end of December for an overall 4.2



per cent growth in calendar 1989.

Even more spectacularly, gross national expenditure contracted by 1.3 per cent in the quarter - the first decline in domestic demand since mid-1988 and one of the biggest in years. Net exports increased in compensation.

The figures also showed a further decline in investment and an increase in the savings ratio as household disposable income rose more strongly than private consumption.

Although analysts agreed there was an unequivocal slowing in private sector demand, they were cautious in their interpretations because a statistical discrepancy in the figures means a large part of the fall remains unexplained.

It therefore remains to be seen whether a more sensible balance has materialised between Australian production and consumption to help reduce the country's record current account deficit.

However, given that the figures are a "snapshot" of the economy for three months ago and that retail and mortgage interest rates have stayed at very high levels, the assumption is that the current quarter will show similar trends when figures are published in May.

This was the clear view of Dr John Hewson, the shadow Treasurer, who accused Mr Paul Keating, the Treasurer, of "fattening" the economy and pointed also to rising unemployment and increasing bankruptcies.

Mr Bob Hawke, the Prime Minister, insisted yesterday, however, that there was "no need to fear a recession in any sense."

On the money markets yesterday, yields on 90-day bank bills actually rose marginally. But at the weekly Reserve Bank tender, the yield on \$400m of 90-day Treasury bills was 15.51 per cent, down from 15.79 per cent a week earlier. This added to pressure for an early cut in the Reserve's rediscount rate from the current high of 17.1 per cent.

Mandela rebukes Baker over SA visit

By Nicholas Woodworth in Windhoek

MR Nelson Mandela, deputy president of the African National Congress, yesterday rebuked US Secretary of State George Shultz for his decision to meet President F.W. de Klerk in South Africa.

The two men held talks in the Namibian capital Windhoek, where they took part in independent celebrations. Afterwards they said some progress had been made on ideas that would help resolve problems in South Africa. But Mr Mandela said they disagreed on some issues.

"We (ANC) do not think there has been any fundamental change of policy by the South African government. The fact that Mr Baker visits de Klerk can create confusion that the National government has done something that requires a change of attitude on the part of the international community. We regard that as regrettable."

Mr Baker replied that US efforts to move the negotiation process forward were being

made in good faith, and that the US approach - which involves contacts with both the ANC and the South African government - would not be changed.

Mr Baker also met Mr Edward Sheziwama, Soviet Foreign Minister. Both men cited Namibian independence as an example of the benefits of US/Soviet co-operation.

Mr Douglas Hart, the British Foreign Secretary, announced a \$10m aid package for Namibia.

David White, Defence Correspondent for the British media, said that a South African military advisory team arrives in Namibia on Monday to help set up a Namibian army and a Ministry of Defence.

Taiwan's president meets protesters

By John Elliott in Taipei

REPRESENTATIVES of over 4,000 students, who have been staging a sit-in for three days in Taipei's main congressional building, met President Lee Teng-hui for one hour shortly after he was elected president and urged him to speed up democratic reforms.

The meeting marked the opening shot in a debate about Taiwan's future political development in the run-up to a national affairs conference, probably in June, which will map out new policies for constitutional reform and relations with mainland China.

President Lee announced the conference this week in an attempt to prevent the unrest disrupting yesterday's election. Last night he told a 50-strong student delegation that he was meeting their demand for a conference open to a wide range of public opinion.

President Lee, 67, took office two years ago on the death of President Chiang-kuo. Yesterday, amid tight security, he was elected unopposed in his

own right for a six year term by 641 of 688 votes cast in the National Assembly. More than 30 per cent of the assembly members are over 70. Their unwillingness to retire has provoked the unrest.

The students and others are pressing for these elders to retire and for the assembly to be either abolished or turned into a democratic body. This means that the development of a western-style parliamentary system will be on the conference agenda.

A significant easing of relations with China will also be considered, although government officials insisted yesterday there was no question of Taiwan either declaring itself independent or recognising Peking.

Born in Taiwan, President Lee is a reformer who wants to speed up democratic development. But he faces resistance from the elders, other politicians and army generals who have power under the current political system.

Tantalising chance for Peres and for peace

By Hugh Carnegie in Jerusalem

"Walking on eggs," said the headline. "It's his last chance," concluded the writer. The article in the Israeli daily Haaretz summed up the prospects facing Mr Shimon Peres, leader of the Labour Party, as he attempts to piece together a government out of the country's fragmented parliamentary puzzle.

In some ways President Chaim Herzog's nomination on Tuesday night of Mr Peres as his first choice to try to resolve the country's political impasse was a victory for a man who has led his party in four general elections but has only one "draw" to his credit.

From an unpromising position of junior partner in a coalition with the assertive Likud Party, led by Mr Yitzhak Shamir, Mr Peres has engineered the opportunity to lead Israel into unprecedented peace talks with the Palestinians, something Mr Shamir refused to do on the terms offered by the US.

But, as the newspaper suggested, the opportunity for Mr Peres is tantalisingly slim. If he cannot grasp it, it may well add up to one political failure too many for Labour to hear from its leader of 13 years.

First Mr Peres must somehow graft onto Labour's block of 39 seats in the 120-member Knesset enough support from an ideological kaleidoscope of small left-wing, Arab and religious parties to sustain a parliamentary majority.

That he achieved a 60-55 defeat of Mr Shamir in last week's crucial no-confidence vote following the collapse of the Likud-Labour partnership counts for little more. Likud was yesterday already engaged in a guerrilla campaign to keep the three key ultra-orthodox religious groups out of an alliance with Labour.

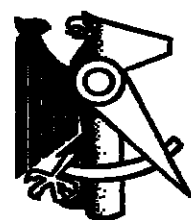
Yet forming a government may prove easier compared with the task of holding it together while conducting talks with the Palestinians. Again, Likud has wasted no time in accusing Labour of being at the mercy of the Palestine Liberation Organisation and preparing to give away the Israel-occupied West Bank and Gaza Strip, and with them Israel's security.

Once negotiations on the initial proposal to hold elections in the West Bank and Gaza get under way, Likud and its right-wing allies would seize on every issue, from the role of the PLO to the status of Jerusalem, to try to bring down the inevitably fragile administration.

Mr Peres, though, is staking his position on his belief that there is a majority in Israel in favour of the US-backed plan.

He is committed to making peace based on territorial concessions. He rejects talking directly to the PLO, but has acknowledged a PLO role in the peace process. He has arms length. Underpinning his stance is a belief that "sooner or later" what happened in Eastern Europe will happen in the Middle East.

THE GERMAN REVOLUTION OF '89



New Business Realities in Central and Eastern Europe

In response to the dynamic developments in The German Democratic Republic and throughout Eastern Europe, Business International is preparing a major study of the business impact - the challenges and the opportunities - that these changes will have on international companies.

The report will be delivered on Monday June 25 1990 and will be followed by a one day seminar, exclusive to subscribers, in London on September 14 to discuss the findings.

For further information about this study please contact:

Marie-Paule Donsimoni
Business International
40 Duke Street
London W1A 1DW
Tel: (44 71) 493 6711
Fax: (44 71) 499 9767

Business
International
GLOBAL BUSINESS INFORMATION AND ADVICE

Indian budget suffers deficit in decisiveness

V.P. Singh's administration has dodged the hard choices, writes David Housego

THE FIRST budget of Prime Minister V.P. Singh's administration pleased a lot more people than the now frail coalition which has dived for engine for recent economic growth.

But in macroeconomic terms it did little to improve the competitiveness of the high-cost Indian economy and hence its manufacturing export performance. It also left still unanswered a good many questions about the long-term evolution of economic policy.

The Bombay Stock Market, which had feared that the budget, presented on Monday, would include even stiffer doses of personal and corporate taxation, gave it an immediate welcome with a rise in share prices. By contrast the Business Standard, one of the main economic dailies, labelled it "anti-industry" in a front-page headline.

Mr L.K. Advani, president of the BJP, the Hindu radical party on whom the Government depends for a majority in the Lok Sabha (lower house), said: "My overall feeling is of being let down."

By contrast the normally conservative and pro-Congress Times of India praised Mr Madhu Dandavate, the Socialist finance minister, for his "boldness" in seeking to contain the deficit through taxing the rich.

Some of this confusion over interpretation reflects the difficulty Mr Dandavate had in constructing a budget with widely divergent objectives. He wanted to reassure National Front supporters that the government had not forgotten its promises on shifting resources to agriculture and creating

more jobs in the rural areas. At the same time he could not afford to frighten the middle classes and the corporate sector which have provided the engine for recent economic growth.

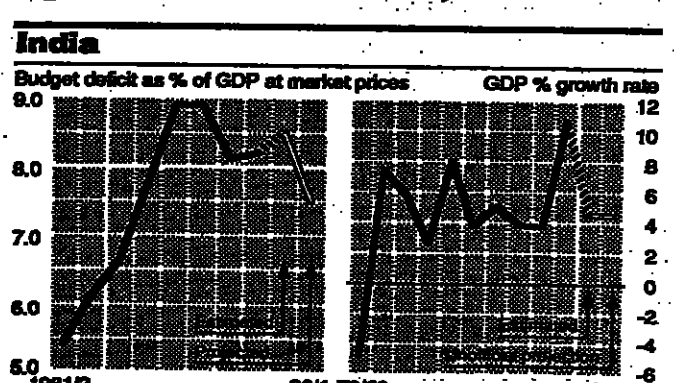
With strains increasing on both the inflation rate and the balance of payments, he wanted to squeeze demand. But with the economy already decelerating to a real gross domestic product growth rate of 4-4.5 per cent after last year's record 10 per cent, he did not want to apply the brakes too strongly.

He ended up with a compromise budget that dodged many of the hard choices. In his search for consensus Mr Dandavate described himself at the end of his speech as a "pragmatic" socialist.

The focal point for the budget - as well as for the issue of Indian economic competitiveness - was the finance ministry's strong warning of the build-up in inflationary and balance of payments strains that have resulted from cumulative budget deficits. Over the last six years the average annual deficit as a proportion of GDP has exceeded 5 per cent. Mr Dandavate's budget takes only modest steps to reverse this trend.

On the Indian definition of the deficit - net borrowing by the government from the central bank - Mr Dandavate was able to show a 60 per cent cut in the projected deficit to Rs12.6bn for 1990-91 which was what helped to impress the stock market.

But on the international definition of what counts as expenditure and receipts, the deficit



Source: World Bank/Ministry of Finance

Source: Ministry of Finance

still rises by 3.3 per cent next year in nominal terms - though it falls in real terms. As a percentage of GDP, the deficit is projected to decline by 1 percentage point but will remain at a high 7.5 per cent.

Mr S.B. Chavan, the former finance minister, made a similar commitment to deficit reduction last year which was not fulfilled. In an effort to strengthen this government's credibility, Mr Dandavate promised to bring a six-monthly account to parliament.

Though the Government's dependence on the central bank for financing the deficit will diminish, government borrowings from the market and various savings institutions to cover the deficit will grow by more than 20 per cent.

It is still not clear how much the government will raise domestically (thus putting pressure on interest rates) and how much abroad (where India's outstanding debt exceeds \$60bn). But the govern-

ment now seems determined to avoid fresh borrowing from the International Monetary Fund - which means that its budget projections have to be that much more convincing to obtain good rates from commercial lenders.

The reduction in the deficit has been achieved in part by squeezing the growth in total expenditure to 7 per cent next year (thus below inflation) - or 15 per cent if measured against last year's original budget estimates. As in past years, the growth in capital (development) expenditure has been sacrificed to the growth in current spending.

Within the expenditure envelope, the shift in resources to agriculture has been modest. The most eye-catching scheme is the waiving of Rs10bn of debt owed by farmers and rural workers. The finance ministry now maintains that only Rs4bn of debt is eligible for relief - against the Rs10bn earlier mentioned. But spending on rural development

and anti-poverty programmes has been virtually frozen. Industry has been frightened that Mr Dandavate would show the corporate sector little sympathy. Instead he reduced corporate tax from 50 to 40 per cent but cut the investment allowance which has favoured capital intensive projects such as petrochemicals. The net result of this simplification - which the Government sees as a prelude to simplifying the licensing procedures - is that the direct take from the corporate sector rises by 17 per cent.

The other sectors hit by the budget are the motor vehicle and electronics industries which could suffer a drop in sales as a result of increases in excise duties. Though these have been among the fastest growing in recent years - and potentially a base for export growth - they are seen by the Government as not entirely worthy of support because of their middle class appeal and consumption of foreign exchange through imported components.

The Government is counting on gross tax receipts rising by 13 per cent - which allows for a crackdown on evaders. Mr Dandavate told parliament that the tax authorities were being asked to pay special attention to vulgar display of ill-gotten wealth - in particular at wedding receptions.

Overall the budget imposes a mild deflationary squeeze, though Mr Bimal Jalan, the finance secretary, declined to quantify the impact. But it is too small on its own to have much of an impact on the balance of payments.

July 1990

WORLD TRADE NEWS

Gatt says international trade growth set to slow

By William Dullforce in Geneva

THE GROWTH in volume of international trade, one of the driving forces behind the expansion of the world economy, is likely to slow to between 5 and 6 per cent in 1990 from 7 per cent last year, according to the secretariat of the General Agreement on Tariffs and Trade.

But the rate of growth will still equal or exceed the trade performance of four of the past seven years and 1990 will mark another year in which world trade will expand at a substantially faster pace than output. Volume growth in 1988 was 8.5 per cent.

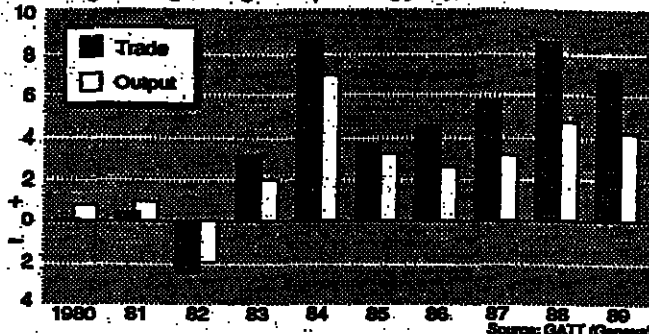
Gatt's preliminary report on international trade developments in 1989-90, released yesterday, qualifies its generally optimistic tone by voicing concern about the persistence of inflation in many parts of the world and its continuing impact on export demand. It also notes account imbalances among the world's leading trading nations.

Higher interest rates provoked by inflationary pressure could deter business investment, which has been an important source of strength in the current expansion of trade, the secretariat warns.

In value, world merchandise trade passed the \$3,000bn mark

World merchandise

Volume (percentage change over preceding year)



for the first time to reach a new record of around \$3,000bn, compared with \$2,800bn in 1988.

Gatt says it is too early to estimate the value of world trade in commercial services in 1989 but it has revised its 1988 estimate to \$600bn from \$560bn, indicating that services expanded at a rate of 13 per cent in 1988.

In fact, growth was almost certainly higher, because the secretariat has used 1987 figures for some countries which have not yet reported their data for 1988.

Trade in manufactured goods continued to provide the main expansionary thrust last

year. Manufacturing exports climbed by 3 per cent (against 10 per cent in 1988). Mining exports grew by 4.5 per cent (6 per cent) and farm exports by 4 per cent (5 per cent).

The US meanwhile topped West Germany to regain its position as the world's largest exporter. The volume of US exports grew at nearly twice the world average, reaching a value of \$364bn against \$341bn for West Germany and \$275bn for Japan.

Japan's 4.5 per cent growth rate marked the fourth consecutive year in which it performed below the world average.

Seoul boosts overseas investment

By John Ridding in Seoul

OVERSEAS investment by South Korean companies has increased sharply this year because of fears of protectionism and rising domestic costs, according to the Bank of Korea.

The central bank said that the value of overseas investments approved by the government more than doubled to \$351m (£147m) in January and February, compared with the same period last year. The number of projects increased from 48 to 73.

The most popular area for new Korean investment was south-east Asia, which received 37 projects worth \$80m.

Most new investments in the region were from the footwear, textiles and electronics industries which have suffered a loss of competitiveness in Korea because of higher domestic wage costs and an appreciation in the value of the Korean currency, the won.

There were 20 new projects in North America, worth a combined value of \$152m. Many South Korean companies, particularly in the electronics sector, are setting up manufacturing in the US and Canada to escape protectionist measures.

Agnelli family scion in the saddle

John Wyles on a new grouping of the European motorcycle industry

THE launch in Paris yesterday of the Association des Constructeurs Européens de Motocycles (ACEM) marks not only an attempt by Europe's leading motorcycle manufacturers to create a lobby at European Community level, but also the international debut of a 25-year-old Italian manager with a very celebrated name.

Since Giovanni Alberto Agnelli claims some of the credit for having thought of ACEM, he is being rewarded with the presidency of the Brussels-based association. The appointment is a shrewd one, since his is a name which causes doors to spring open and he will have at his elbow Mr Gustavo Denegri, Piaggio's group president, to compensate for his lack of experience.

Agnelli the Younger is the nephew of his namesake president of Fiat and son of Umberto Agnelli, Gianni Agnelli's younger brother, whose first wife was Antonella Bechi Piaggio. After a US university education and military service as a parachutist, Giovanni Alberto joined the family firm, Piaggio, in 1967.

Then came a swift passage through several management functions, culminating in his appointment this year as vice-president of the holding company, Piaggio & C Spa and director of planning and development.

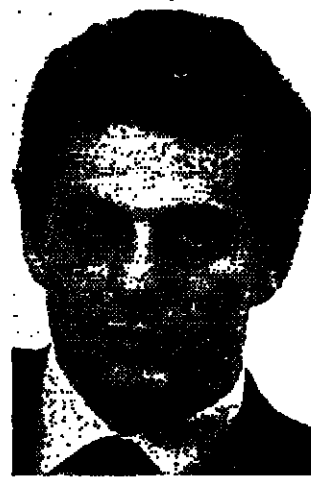
There are those who say that

this beguiling, somewhat self-effacing young man is being trained for The Highest Office in the Fiat group. He is highly regarded by his uncle whose own son, Edonardo, aged 35, has shown less aptitude and commitment to industrial management than his younger cousin.

Giovanni says that ACEM springs from three clear requirements: "The need to harmonise technical standards for production of two wheelers and legal regulations governing their use, the need to establish that two wheels have as much social utility as four and the need to establish a Community policy governing the import of Japanese motorcycles."

In addition to Piaggio Velocil Europe, the founder members of ACEM are Peugeot MTC of France, Derbi of Spain, SIS of Portugal and Fichtel & Sachs/Nurnberger Hercules Werke of West Germany. Other manufacturers are encouraged to join but the founders already account for two thirds of the European market for motorcycles up to 500cc.

In competing with Japanese producers in segments above 125cc, Giovanni Alberto says that the Europeans are seriously handicapped by differing national standards governing among other things pollution levels, noise, braking and signalling systems.



Giovanni Alberto Agnelli

But harmonisation will not be enough, says the president of ACEM. National restrictions of various kinds on two-wheel imports from Japan should disappear with the opening of the EC's internal market. Like their cousins in the motor industry, the European motorcycle and scooter manufacturers will be seeking a transition period - they are talking of five years - before the Japanese are allowed free entry.

"This is needed above all to allow the development of a components industry of a sufficient size and competitiveness," says Giovanni Alberto. Piaggio itself is now running

hard to position itself for a more competitive future after restructuring forced by the downturn in the motorised two-wheeler market which has plagued European producers for much of the 1980s.

Having diversified into sectors including textiles, chemicals and robotics which now account for 20 per cent of its £1,400m (£893m) turnover, it is concentrating on strengthening its core business.

Giovanni Alberto says that Europe - where Piaggio sells more than 500,000 pieces - will remain important but the strongest growth in the future should come from India, Indonesia, Thailand and some of the Eastern European countries.

"We are making a big effort in India which is the largest single market in the world for two wheeled vehicles," he says. Piaggio already has equity stakes in two Indian producers - LML and VOCL - which make its cycles under licence and is seeking additional comparable investments.

This year, he says, will be one of transition for Piaggio as it searches for more joint ventures in its diversified operations and develops new products for its core business. And what of the future for its young vice-president? "Well I am not long in experience but I do have ideas. The thing I want to learn more quickly is how to judge people better."

EC agrees to talks on coal industry subsidies

By William Dullforce

THE EUROPEAN Community has put its subsidies to the coal industry on the negotiating table in the Uruguay Round of the General Agreement on Tariffs and Trade. By dropping its opposition to including energy resources in the Gatt Round, the EC yesterday helped to break a procedural deadlock in the group negotiating the liberalisation of trade in natural resource-based goods, such as fuels, minerals, forestry and fish products.

Brussels agreed to negotiate on energy resources within the group provided the issue was not raised in other groups, such as that handling the rules to be applied to subsidies. The coal subsidies are also under scrutiny in internal EC discussions in preparation for the single market in 1993.

The EC concession in Geneva came after an energetic campaign by Australia, backed by the US, to secure a ban on government subsidies to coal producers.

Mr Bob Hawke, the Australian Prime Minister, said "massive subsidising" of coal production in West Germany, Britain and Japan was costing his country billions of dollars in lost export opportunities.

Canberra claims that EC member states subsidise their coal industries to the tune of \$12bn a year. Mr Hawke said that in West Germany annual subsidies rose by 70 per cent in the four years to 1988 and that the price of coal was 250 per cent higher than the price of imported coal.

In Britain coal prices were 150 per cent higher than prices for imports. The Australians claimed that Japan had spent roughly \$150bn on coal subsidies over the 20 years to 1988 and had doubled the level of spending in the four years to 1988.

EC officials say the procedural agreement reached yesterday does not prevent them from raising the issue of fishing rights in the negotiating group, an idea which is vigorously opposed by the US, Canada, the Latin American countries and Australia.

Countries now have to submit specific proposals on natural resource-based products by April 20.

Ridley unruffled by late Soviet payments

By Peter Montagnon, World Trade Editor

LATE payments by Soviet importers were often the result of "incompetence" by newly authorised foreign trade organisations and should not cause undue worry in the West, Mr Nicholas Ridley, UK Trade and Industry Secretary said.

Speaking shortly after returning from a trip to Moscow, where he raised the problem with his Soviet counterparts, Mr Ridley said the Gorbachev regime was trying to make its enterprises learn to manage their own affairs responsibly.

"It's hard for us to quarrel with that," he said in an interview, even though the adjustment process might cause some temporary difficulties.

His visit, at the head of a large UK trade delegation, had shown that there were still lucrative export opportunities in the Soviet Union for traditional exporters who understood the market, he added.

Mr Ridley also visited Poland where he said the UK would "look more closely" at the possibility of making export credit cover available, though nothing was being promised as yet.

Although both France and West Germany have restored cover, Poland had a very large \$40bn foreign debt, he said. He doubted whether it was wise to add to this debt, but said British companies should consider direct investment in Poland, where assets were being made available at bargain prices as a result of the country's privatisation programme. Poland was also a good potential base for manufacturing for the West European market, he said.

Mr Ridley also had a message for exporters who are worried that higher premiums planned by the Export Credits Guarantee Department for cover in difficult markets would undermine UK competitiveness in world capital goods market. Businessmen who expressed such fears were "talking through their hats."

"We are by no means going to throttle ECGD," he said, it had to be more commercial, however, and exporters were simply trying to put pressure on the Government ahead of decisions that had not yet been finalised. Exporters should refrain from comment until these decisions were made.

ABB describes 'horror' of E Germany's infrastructure

By Nick Garnett

THE MANUFACTURING and industrial service infrastructure of East Germany was a "horror scene", Asea Brown Boveri (ABB), the large electrical engineering group said yesterday.

But that country offered the biggest investment opportunities in eastern Europe.

In a survey of East Germany's needs, ABB said it estimated that to modernise and extend the transport infrastructure would cost DM100bn (£58.8bn) to DM150bn.

More than 60 per cent of the East German rail system was single track and only about 25 per cent of the system was electrified.

The company, which has its headquarters in Switzerland, said installing new power stations in East Germany would cost DM40bn.

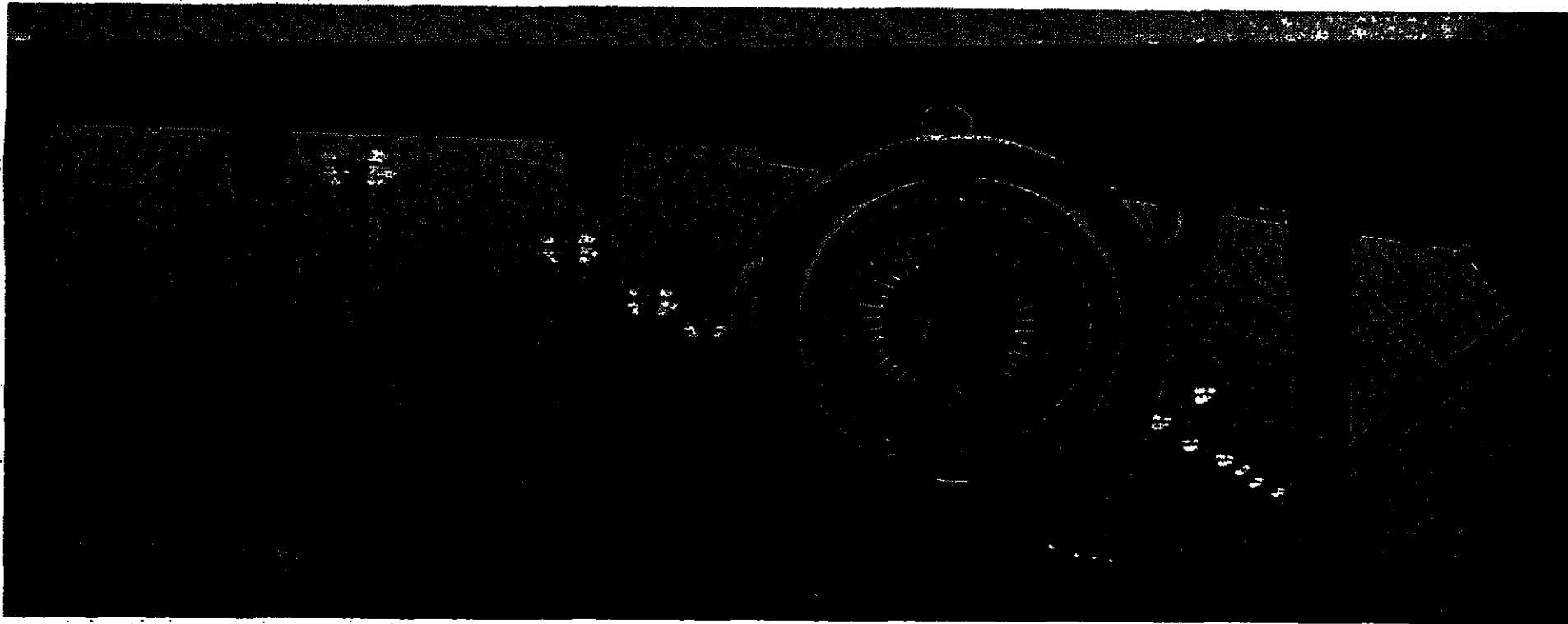
Power plants in East Germany were so inefficient that they consumed 35 per cent more coal than a comparable but modern station in western Europe.

A further DM14bn would be required to install gas control anti-pollution equipment on power stations.

Mr Eberhard von Koerber, ABB's board member responsible for eastern Europe, said East Germany also needed 8m new telephone extensions. Antiquated manufacturing equipment partly accounted for a productivity level only 25 to 50 per cent that of West Germany, he added.

For the whole of eastern Europe, excluding the Soviet Union, ABB said that power station capacity was 1,600MW per person, compared with 3,000W in Scandinavia.

A LOT OF PEOPLE
KNOW OUR AIRPLANES
INSIDE AND OUT.



NAMELY OUR MECHANICS. BECAUSE AT PAN AM EVERY AIR-

PLANE UNDERGOES FREQUENT PREVENTIVE MAINTENANCE. NO

OTHER U.S. CARRIER SPENDS AS MUCH ON MAINTENANCE PER

AIRCRAFT OPERATING HOUR AS PAN AM. IN FACT, MORE THAN

\$350 MILLION IS ALLOCATED FOR 1990 ALONE. IT'S NO WONDER

OVER 30 OF THE WORLD'S AIRLINES TRUST THEIR MAINTENANCE

TO US. ALL GOOD REASONS TO FEEL CONFIDENT THAT WHEN

YOU CHOOSE PAN AM, YOU'VE MADE THE RIGHT CHOICE.

PAN AM

WE'RE FLYING BETTER THAN EVER

AMERICAN NEWS

Congress suspends Chile laws

By Leslie Crawford in Valparaiso

THE CHILEAN Congress has begun work for the first time in more than 16 years, by suspending laws inherited from the military regime.

The congress is expected, in the next few weeks, to revise the anti-terrorist law, the death penalty, the budget, tax and labour legislation, curbs on freedom of expression and a plethora of laws decreed by the military junta in the final months of General Augusto Pinochet's dictatorship, which stepped down last week.

President Patricio Aylwin's

ministers began work on the package of reforms long before the new civilian government took office. To ensure a smooth passage through Congress, they are negotiating details in advance with right-wing opposition parties.

Mr Aylwin, a Christian Democrat who campaigned for reconciliation, needs the co-operation of the right because his centre-left coalition won an absolute majority in the House of Representatives but lacks one in the Senate due to the military regime having exer-

cised its right to appoint nine of the 47 senators.

The right wing parties have pledged "constructive opposition". They regard themselves as the defenders of Gen Pinochet's liberal economic policy but they have yet to establish their democratic credentials.

Most congress members are holding elective office for the first time. The setting is also new: a half finished building bequeathed by General Pinochet and overlooking the Pacific Ocean in the port of Valparaiso.

Bush backs Poland over border issue

By Peter Riddell, US Editor in Washington

PRESIDENT George Bush yesterday assured Mr Tadeusz Mazowiecki, the Polish Prime Minister, of US support for maintaining Poland's current borders with a reunited Germany.

However, the US will not agree to Poland's desire for full participation in the "two-plus-four" talks of the two German states and the four wartime allies on the security aspects of reunification.

US officials believe Poland has won a "considerable victory" in being included in the talks when border issues are discussed. Mr Bush said that "in any decisions affecting the fate of Poland, Poland must have a voice."

Before yesterday's meeting Mr Bush had talked by phone on Tuesday with Chancellor Helmut Kohl of West Germany to discuss the Polish border question as well as German unification following Sunday's East German elections. Mr Bush underlined the US's strong support for the Helsinki Final Act and its call for the inviolability of borders.

Mr Mazowiecki discussed with Mr Bush the Polish desire for a treaty guaranteeing his country's western borders with Germany.

Argentine minister extends powers

By Gary Mead in Buenos Aires

MR ANTONIO Erman Gonzalez, Argentine Economy Minister, has appointed himself governor of the country's Central Bank after the drawn-out departure of Mr Enrique Folcini.

Mr Gonzalez - an accountant who ran President Carlos Menem's economic ministry in La Rioja province, where Mr Menem was governor before he became president - now has full responsibility for managing Argentina's economic affairs.

The minister becomes the fifth governor since President Menem took office almost nine months ago. His ministerial portfolio also covers the financial administration of state-owned companies.

Mr Folcini presented his resignation on March 7 after a row over his authorisation of short-term Central Bank loans of \$35.4m to several Argentine commercial banks.

He described the loans, known as re-discounts, as entirely within normal Central Bank practice. However, many such loans to the country's densely packed private banking sector, with almost 200 institutions, are granted to prop up ailing banks.

The International Monetary Fund and the World Bank have long argued that the sector should be weeded out. Successive governments have postponed this politically sensitive reform.

Many Argentine politicians have close

relationships with private banks, while certain senior government officials have legal cases pending against them over alleged infringements of banking regulations. One such is Mr Carlos Carballo, Argentina's foreign debt negotiator and now appointed by Mr Gonzalez as his deputy in the Economy Ministry.

One of Mr Gonzalez's main tasks is to persuade the IMF to unblock some more than \$1bn in loans suspended early this year when the Menem government failed to meet agreed economic targets. Argentina has made no interest payments on its \$60bn debt since April 1988; interest arrears are now approaching \$6bn.

Guerrillas shoot retired junta general

LEFT-WING guerrillas in Chile yesterday shot and seriously wounded former Chilean Air Force commander-in-chief Gustavo Leigh, a leader of the bloody coup that installed the military in power 16 years ago, Renter reports from Santiago.

The shooting came 10 days after a civilian government took office under Christian Democrat President Patricio Aylwin, ending 16 years of harsh military rule under General Augusto Pinochet.

Gen Leigh, a retired general, was reported to be in a critical condition in a military hospital, doctors said.

A spokeswoman for an armed wing of the Communist Party claimed responsibility for the shooting in a telephone

call to a local radio station, calling Gen Leigh a "rural ideologue" of the coup in which Pinochet seized power in 1973.

Two men entered Leigh's real estate offices in a residential sector of Santiago and pumped six bullets into Leigh's face, chest and legs, police said. His business partner Mr Enrique Ruiz, also a retired Air Force general, was hit by three bullets when he tried to defend Gen Leigh, police said.

The spokeswoman warned that the group would continue killing former members of the dictatorship, "the spokeswoman for the Manuel Rodriguez Patriotic Front (FPMR) told Radio Cooperativa.

The spokeswoman warned that the group would continue killing former members of the dictatorship, "the spokeswoman for the Manuel Rodriguez Patriotic Front (FPMR) told Radio Cooperativa.

Human rights groups accuse Gen Leigh of forming a death squad that hunted down and murdered hundreds of Communist Party militants between 1973 and 1976.

"Today we have tried to do justice by killing General Leigh, one of the cruelest ideologues of the thousands of murders committed during the dictatorship," the spokeswoman for the Manuel Rodriguez Patriotic Front (FPMR) told Radio Cooperativa.

The spokeswoman warned that the group would continue killing former members of the dictatorship, "the spokeswoman for the Manuel Rodriguez Patriotic Front (FPMR) told Radio Cooperativa.

Human rights groups accuse Gen Leigh of forming a death squad that hunted down and murdered hundreds of Communist Party militants between 1973 and 1976.

"Today we have tried to do justice by killing General Leigh, one of the cruelest ideologues of the thousands of murders committed during the dictatorship," the spokeswoman for the Manuel Rodriguez Patriotic Front (FPMR) told Radio Cooperativa.

The spokeswoman warned that the group would continue killing former members of the dictatorship, "the spokeswoman for the Manuel Rodriguez Patriotic Front (FPMR) told Radio Cooperativa.

Telecoms privatisation hits political trouble

By Gary Mead

PRESIDENT Carlos Menem's plans to privatise ENTEL, Argentina's telecommunications company, are meeting stiff Congressional opposition from both his own Peronists and the main opposition Radical party.

ENTEL is to be split into two geographically determined companies (north and south), and to be in private hands by October.

However, Congressional deputies are demanding substantial changes in the terms of the sale. These could threaten to reduce ENTEL's potential profitability for the half-dozen or so international companies showing interest in buying.

Congressional opponents want to see ENTEL's promised state-guaranteed profit (16 per cent a year) calculated on the basis of the capital invested in the two newly privatised companies, some \$1.5bn. They regard the government's stated terms for the sale, which calculate the 16 per cent profit on the basis of the current net asset value of ENTEL (\$3.5bn) as too generous.

If the proposed change is accepted by Mr Menem's government, net annual profit for both companies would shrink to \$240m, rather than the originally conceived \$500m.

Congressional opponents of the sale also hope to dilute

other aspects of the offer. They particularly oppose the debt-equity swap arrangements in the offer. Purchasers of ENTEL will require a relatively small amount of cash - \$100m for one company and \$113 for the other - with most of the remaining \$1.6bn being achieved via swaps for Argentine foreign debt, now generally trading at 12 cents to the dollar on secondary markets.

Under the government's scheme, debt will be accepted at face value; opponents want to see a large discount.

If Mr Menem approves the proposed changes, which are advocated by members of his own Peronist party, he risks

damaging his crucial political alliance with the Centre Democratic Union (UCU), on whose backing he has become dependent to implement his economic reform programme.

On Tuesday, the government retreated over one controversial ENTEL issue. It had announced last week an immediate 400 per cent increase in telephone charges, for a total rise of 3,395 per cent since January 1. After a storm of public and cross-party protest, that increase has now been postponed until the end of March.

Yesterday 23 public sector trade unions staged a one-day strike against Mr Menem's privatisation programme.

A bilateral route to Venezuela debt deal

Stephen Fidler on a novel accord

THE agreement announced this week between Venezuela and its creditor banks on a reduction and a restructuring of about \$20.5bn of loans emerged from a novel negotiating process involving bilateral talks between government negotiators and leading bank lenders.

The agreement is the fourth under the new international debt initiative launched a year ago by the US Treasury Secretary, Mr Nicholas Brady.

In an approach not seen before in almost eight years of bank-debtor negotiations, individual banks on the advisory committee, led by Chase Manhattan, were allowed to pursue their own ideas with the Venezuelans.

At times, it seemed possible that there would be no agreement backed by the entire committee, but in the event it produced a deal which was being generally welcomed by banks and others yesterday.

It contains the following options for banks:

● **New money:** Banks make new loans equivalent to 20 per cent of their exposure over two years. The "new money" will be in the form of a bond, with a 15-year maturity and seven-year grace before interest is due. Sixty per cent of these bonds will be in the name of the central bank and carry a 4-point interest margin and the remainder in the name of the republic, carrying a 1-point margin. The "old money" will be rolled into so-called exchange bonds with a 17-year maturity, seven years' grace and a 4-point interest margin.

● **Bonds for loans:** In a structure used in the Mexican package, a loan can be exchanged for 30-year bonds with a guarantee of principal and 14-months' interest. Those bonds carry either a reduced fixed-interest rate of 6 1/2 per cent, or at a floating interest margin of 1/2 point below the face value written down by 30 per cent. If oil prices rise to a specified level, the banks are entitled to recoup some value on the bonds after a six-year grace period.

● **Temporary interest reduction:** Banks swap their old loans for new 17-year bond, with interest of 5 per cent for years one and two, 6 per cent for years three and four, and 7 per cent for year five, when it reverts to a floating margin of 1/2 point. Interest collateral will be provided for 12 months. It is the first time this option has been seen in any Brady package.

● **Cash buy-back:** Banks tender their loans for cash at a price yet to be fixed. The price for Venezuelan bank loans rallied yesterday to indicate a price of 40 per cent - the rumoured target the Venezuelans have set.

The Venezuelans are said to be seeking about \$1bn in new loans, meaning banks representing about a quarter of the

VENEZUELAN business and unions yesterday welcomed the restructuring agreement, Joe Mann reports from Caracas.

President Carlos Andrés Pérez said that the overall reduction in outstanding debt should be "no less than 25 per cent" of the amount to be restructured, or about \$20.5bn.

Business hopes the government will now provide help to repay \$3.1bn in private sector foreign debt.

debt would be expected to opt for this. While raising new funds has been a problem in the previous Brady deals for the Philippines and Mexico, bankers said the Venezuelans appeared to be looking favourably on this option.

The government has said that it is seeking cash-flow savings of about \$1bn from the agreement, but many banks believe that in view of recent rises in the oil price, this is more than what the country needs.

Venezuela, which agreed to bring its interest payments up to date by the end of this month to secure the agreement, subsequently rejected calls for a restructuring of the debt of banks not wishing to take any of the above options. It argued that this would have been a signal to encourage banks not to participate.

Each of the options involves banks entering new legal agreements with the Venezuelans, potentially marginalising any banks that do not participate in the options.

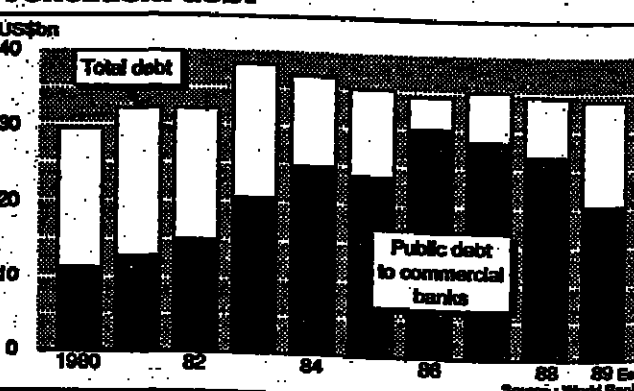
Bankers greeted the array of options with a broadly positive. It was also felt that, particularly for domestic political consumption, Venezuelans could point to the likely deep discount in the cash buy-back as evidence they had negotiated a tough deal.

None the less, the discount on the bonds-for-loans swap of 30 per cent was below the 35 per cent achieved by Mexico, and compared with the 50 per cent which the Government had originally demanded. Offsetting this, Venezuela has only granted a 14-month interest guarantee against Mexico's 18-month.

It is not clear how much official support is available for the package, which will be backed by the International Monetary Fund and World Bank. Some \$700m is said to be forthcoming from the IMF, while the Japanese Export-Import Bank and other governments, including recently Spain, are thought to be considering support.

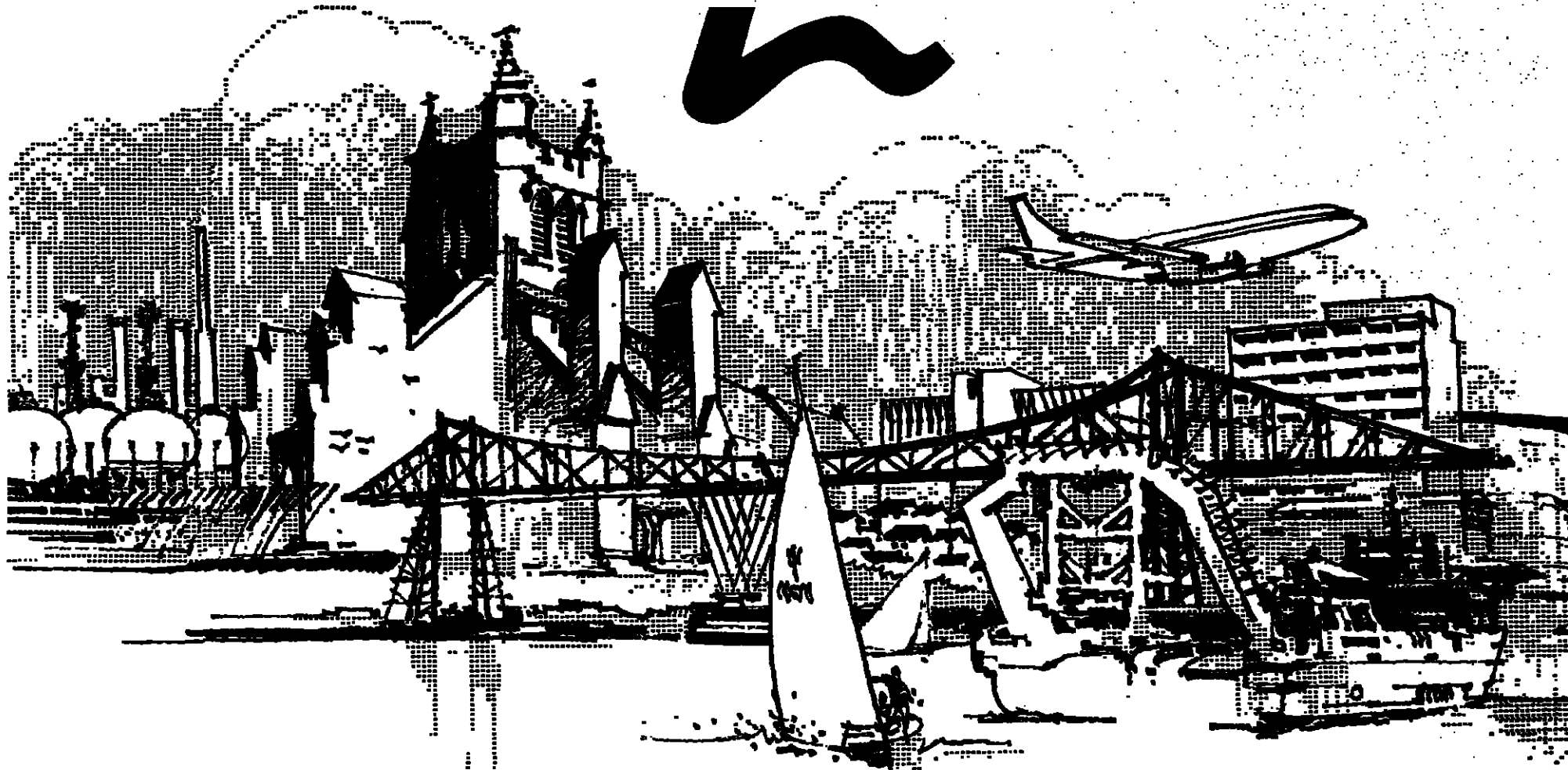
Significant work remains to be done on finalising the options, a process likely to take several weeks. However, bankers are conscious that expected talks with Brazil may soon begin to complicate matters.

Venezuela debt



TEES/SIDE

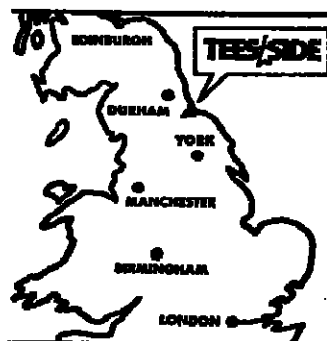
THE UK'S BIGGEST NEW URBAN DEVELOPMENT PROJECT



...offers the biggest opportunities

The UK's biggest new urban development project offers the biggest opportunities to investors, developers and new industry. High quality factory units and greenfield sites now available. Over a million square feet of prestige industrial and commercial premises under construction or being planned. Specialised accommodation on technology and business parks. Participation and business opportunities in Teesside Development Corporation flagship initiatives: Teesdale - a £200M rejuvenation of 250 acres as a high quality office, home, retail and leisure mix.

Hartlepool - provision of residential, leisure and business amenities and maritime-related enterprise at the new marina complex. Teesside Park - specialist retail outlets at the old Stockton racecourse, now being developed together with the UK's largest leisure centre. Teesside opportunities - backed by Development Area grants and Enterprise Zone incentives. To find out more contact Duncan Hall, Chief Executive, Teesside Development Corporation, Tees House, Riverside Park, Middlesbrough, Cleveland TS2 1RE. Tel 0642 230636. FAX 0642 230843.



TEES/SIDE

Initiative Talent Ability

WEDDAY MARCH 2

power

[illegible]

1 trouble

1. The first step is to identify the problem. This involves understanding the symptoms and the context in which they are occurring.

route to
debt de
a novel acc

POLYMERIZATION will
be held yesterday at
the conference center.
The speaker will be
Dr. H. G. O'Neil.

DR. CARL has
been named as the
speaker for the day.
He will speak on the
subject of "The Role
of the Polymer Chemist
in the Development of
New Materials."

The speaker hopes the
day will be very
productive for the
conference.

1. The first step is to identify the problem or question that needs to be answered. This involves understanding the context and the specific requirements of the task.

2. Next, gather relevant information and data. This may involve research, consultation with experts, or collecting data from various sources.

3. Once the information is gathered, it is important to analyze it carefully. This involves identifying patterns, trends, and potential solutions.

4. After analysis, a plan or strategy should be developed. This plan should outline the steps that need to be taken to address the problem or answer the question.

5. The final step is to implement the plan. This involves carrying out the steps outlined in the plan and monitoring progress along the way.

6. Once the plan has been implemented, it is important to evaluate the results. This involves comparing the actual outcomes with the expected outcomes and identifying any areas for improvement.

7. Finally, the results should be communicated to the relevant stakeholders. This may involve writing a report, giving a presentation, or otherwise sharing the findings with others.

[The following text is extremely faint and largely illegible due to poor scan quality.]

[The page contains faint, illegible markings.]

... ..



If things are
getting tougher,
shouldn't
you be getting
sharper?

The Economist

UK NEWS

Loan sales to debtors favoured

Banks welcome spur to cut LDC debt burdens

By Stephen Fidler, Euromarkets Correspondent

CONCESSIONS in Tuesday's budget to encourage banks to participate in deals which reduce the debt burdens of developing countries were broadly welcomed yesterday.

For the first time, the UK tax system will discriminate – albeit modestly – in favour of banks which sell their loans back to a debtor country at a discount to face value.

The new international debt initiative launched a year ago by the US Treasury Secretary, Mr Nicholas Brady, changed the focus of Third World debt strategy away from the continued provision of new loans by banks and towards the reduction of bank debt burdens of those highly indebted countries agreeing economic programmes with the International Monetary Fund.

Mr Brady called for a review of regulatory, tax and account-

ing procedures which stand in the way of lowering debts. Until the budget, there had been no response from the UK tax authorities to the call.

The benefits are rather narrow. The new rules will only affect the sale of loans at prices where the discounts are substantially deeper than implied by the market – the guideline established by the Bank of England for UK banks' third world debt provisions.

In these circumstances it will be more advantageous to banks to sell their sovereign debt back to the borrowing country, than, say, to another bank. This is because the loss can be charged off immediately against taxes only if the sale takes place to a debtor country – if the sale is made to another bank, the charge-off would have to spread out over a number of years.

GUINNESS TRIAL

Directors lost trust in Saunders, court told

By Raymond Hughes, Law Courts Correspondent

Mr Ernest Saunders was suspended as chairman and chief executive of Guinness in January, 1987, because he had "lost the confidence and trust" of his fellow directors, the Guinness trial jury heard yesterday.

Sir Norman Macfarlane, now Guinness's deputy chairman, said the board had considered that Mr Saunders had authorised and permitted, or been responsible for, substantial actions undertaken without disclosure to the board.

Sir Norman, chairman and chief executive of Macfarlane Group (Clansman), has been called as a witness by the prosecution in the trial of Mr Saunders, Mr Gerald Ronson, chairman of the Heron group, Mr Anthony Parme, a City stockbroker, and Sir Jack Lyons, the

millionaire financier. The four have denied charges arising from an allegedly unlawful share support operation mounted by Guinness during its 1986 takeover battle for Distillers.

Sir Norman was cross-examined by Mr Richard Ferguson, QC, for Mr Saunders.

Mr Ferguson asked why other Guinness directors had not been invited to meetings of the new non-executive directors had with Lazard, Guinness's merchant bank, and why solicitors Herbert Smith had been at those meetings.

Sir Norman said that the new non-executive directors had not known "who knew what" and "who was on which side" as far as the Ronson allegations were concerned. The trial continues today.

OBITUARY
Rothschild: life in high office

LORD ROTHSCHILD, the Cambridge biologist, who died on Tuesday aged 78, was an accomplished scientist who moved with astonishing facility between academia, industry and government, holding high office in all three.

Nathaniel Mayer Victor Rothschild is most widely known, however, for the four years he spent during the Heath Government of the early 1970s as the founding director of the Central Policy Review Staff in the Cabinet Office, better known as the Whitehall thinktank.

His connections with academic science were put to good use in his years with Royal Dutch-Shell, where as group co-ordinator for research and development he steered the oil company into new pastures, including the methane-fired fuel cell and single-cell protein made from North Sea gas.

When Rothschild left Whitehall in 1974, the thinktank he created slowly withered and died. He divided his time between the City, as a director of merchant bankers N.M. Rothschild and his beloved Cambridge.

In 1981 he persuaded the bank to let him set up a trust specialising in investments in genetic engineering and its application to biotechnology. As chairman of Biotechnology Investments Ltd (BIL), he ran a commercially successful fund supporting bio-entrepreneurs.

Lord Rothschild retired as BIL's chairman a year ago, after recruiting Lord Armstrong – a colleague from days in the Cabinet Office – as his successor.

TNT stays quiet over Post Office options

Kevin Brown says mail monopoly unlikely to end before EC postal plans become law

TNT, the aggressive Australian-based transport group, has been uncharacteristically reticent since the Government was forced to disclose recently that it was considering the options for breaking the Post Office monopoly on letters costing less than £1.

TNT denies being the source of the leak that it was in talks with the Government, although it told journalists much the same thing during the Post Office national strike two years ago.

The Department of Trade and Industry has confirmed that talks have been taking place, but has insisted that no viable alternatives to the present system have yet been put forward.

TNT executives are unwilling to say publicly what alternatives they have suggested. Mr Nicholas Ridley, the Trade and Industry Secretary, is retaining interviews on the subject and has instructed civil servants and other Ministers not to discuss the matter.

Privately, officials say Mr Ridley's options are limited to

privatising ParcelForce, the Royal Mail's profitable parcels business, and introducing an element of competition into the letters business.

This would be done either by licensing a competitor in the basic first and second-class letters market or by encouraging the development of a competitive market in premium mail by lowering the price threshold for private operators. A competitive market already exists for items costing more than £1, but it is tiny in proportion to the 13bn letters carried each year by the Post Office. Companies say it could be stimulated by reducing the threshold to, say, 40p – double the basic letter cost.

That is regarded as a more realistic option than a duopoly, partly because TNT is the only company that seems interested in carrying letters for 20p. Other private-sector companies say the difficulties of duplicating the Post Office infrastructure would be immense.

The issue is complicated by the fact that the European Commission is drafting a

Green Paper which will set out a framework for postal services throughout the Community. It is unlikely to be translated into Community law before 1992, so Mr Ridley is unlikely to act before the next general election, due that year.

The debate over privatisation and deregulation coincides with a wide-ranging review by the Post Office. It is clear that some of the options open to Mr Ridley might not be unwelcome to Sir Bryan Nicholson, the Post Office chairman.

Sir Bryan, 57, took over two years ago after many years in private industry. He says his instincts remain those of the private-sector businessman, and claims to find it "distasteful" to have to defend the postal monopoly.

The review, being carried out by Sir Bryan and other senior staff, has concluded that action is needed to cope with annual growth of 5 per cent in the letters business, which will make it increasingly difficult to meet delivery targets, especially for first-class mail. At the moment, the target of

90 per cent of first-class letters being delivered next day is met only for mail travelling less than 50 miles. Over the medium distance – up to 150 miles – the success rate falls to 80 per cent, and it is just 70 per cent for long-distance mail.

The review team feels that the public may have to accept more realistic mail targets. "It is extremely unlikely that for 20p you could take 100 per cent of letters overnight from, for example, Taunton to Skegness," Sir Bryan says. "It could not have been done even in Victorian times, even though they only carried 17m letters a year – less than half what we carry every day."

One possibility being considered by the review team is a cheap, guaranteed letter service positioned between first-class mail and the existing private services costing more than £1.

There is little incentive for the Post Office to introduce such a service while it retains a monopoly, because rational customers will already be

using first-class mail for any letters for which they are unwilling to pay more than £1. However, the Post Office is aware that this is one of the options being considered by Mr Ridley, and is preparing itself for any competitive market he might introduce.

Such a service would free the Post Office to concentrate on speeding the flow of ordinary letters along the main rail lines between the big cities. It could also provide the opportunity to end the division of the basic letter service into two classes, which many Post Office managers think was a mistake.

Sir Bryan will only say that the introduction of the division in 1974 "may have been an error, although he admits that the abolition of first-class is being considered."

Sir Bryan emphasises that no decisions have been made, but suggests that changes will be forced on the Post Office by the mid 1990s by the growth of business and the impossibility of meeting first class targets.

British Telecom to invest £40m in digital network

Edinburgh wins telecoms loop

By Charles Leadbeater, Industrial Editor

British Telecom is to invest £40m to provide Edinburgh businesses with the most advanced telecommunications infrastructure in the UK.

The so-called Edinburgh Loop will be capable of carrying computer information, text, graphics and pictures as well as voice communication.

It will involve the introduction of digital exchanges and an extensive network of fibre optic cables with the capacity to carry large quantities of digitalised information.

The system will make little difference to the average domestic telephone user, but it should significantly enhance Edinburgh's role as a centre for financial services and computing-based industries.

The planned system is more advanced than the services BT currently provides to customers in the City of London and is matched only, in local investment terms, by an initiative for a modernised infra-

structure in Northern Ireland. BT's plans were disclosed by Mr Malcolm Rifkind, the Secretary of State for Scotland, at a lunch in London for executives from international financial services companies, identified as potential investors in Scotland.

The company is expected to make a formal announcement on the system after Easter and is likely this summer to announce more such schemes. About a third of the companies which are discussing moving to Scotland from the south east are in the financial services sector, say London officials of the Locat in Scotland bureau.

Mr Rifkind told more than 50 executives from British, American, West German and Japanese companies that the telecommunications investment, combined with salary costs a third below those in the City, cheaper housing and a higher quality of life than London

meant Scotland was ideal for relocation. He said companies would save £2m a year on a 30,000 sq ft office.

It is hoped to build on the established Scottish financial services sector, which employs 172,000 people – 10 per cent of the adult population – to develop Edinburgh as a European centre for investment and fund management to complement London's role as an international market.

Hewlett-Packard, the US computer and electronics manufacturer, is to close Apollo Computer's plant at Livingston, West Lothian, Scotland, writes James Buxton.

Apollo is the US computer workstations manufacturer which Hewlett-Packard acquired last year. Manufacturing is to be transferred to Hewlett-Packard's plant at Boeshagen in West Germany. The 124 employees in Scotland will be offered other jobs with Hewlett-Packard.

New inquiry into IRA bomb case verdicts

By Alan Pike, Social Affairs Correspondent

FRESH POLICE investigations have been ordered into the case of the Birmingham Six, imprisoned for Irish Republican Army pub bombings in 1974 in which 21 people died and 182 were injured.

Mr David Waddington, Home Secretary, announced in the House of Commons that he had asked Mr Geoffrey Dear, chief constable of the West Midlands, for a report on new issues involving the convictions which he had received from the men's solicitors.

"I understand the chief constable has decided to ask the Devon and Cornwall Constabulary, who carried out investigations in 1987 into certain aspects of the case, to investigate the matters now under consideration," said Mr Waddington.

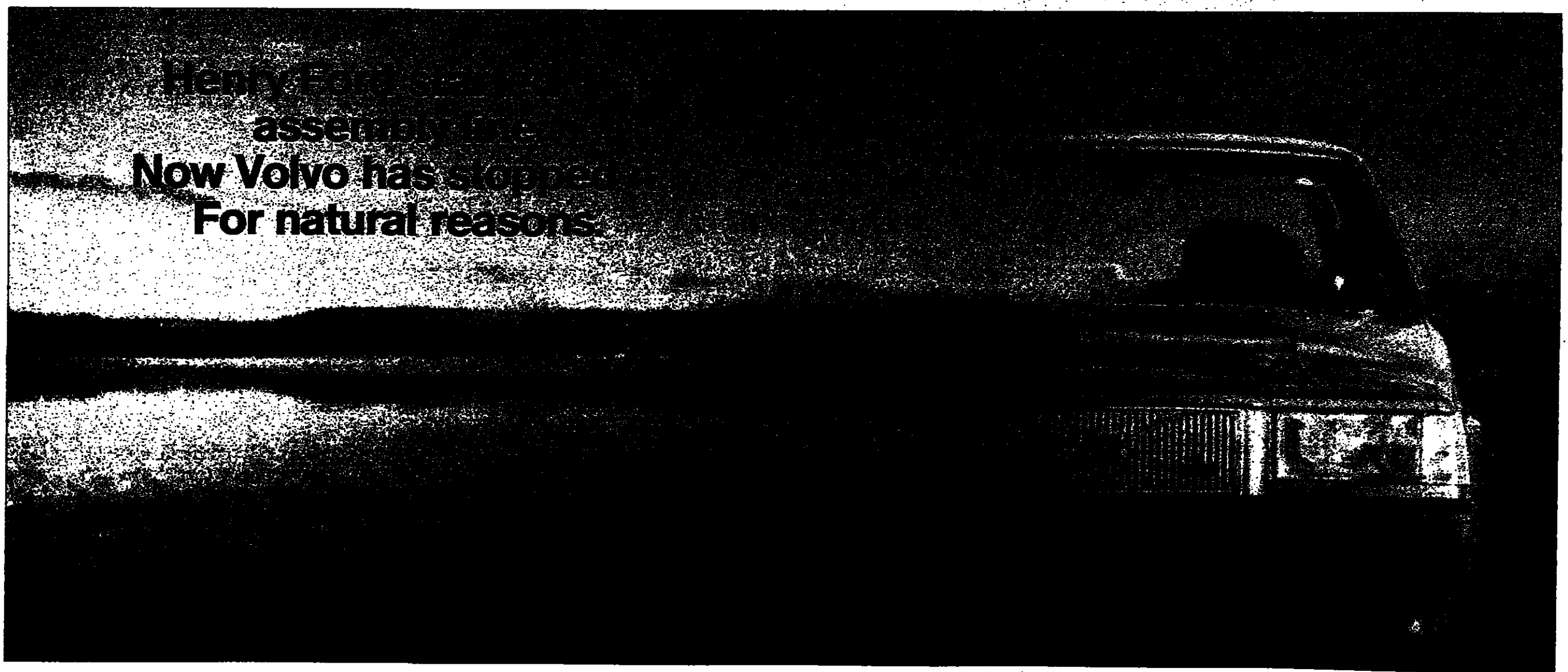
The Home Secretary said that "in the light of the outcome of those investigations" he would consider whether his intervention in the convictions

would be justified.

The case of the Birmingham Six has been the subject of intense controversy over many years. It was referred back to the Court of Appeal two years ago but the court dismissed the appeals.

Since then the controversy has reached new heights following the release of the Guildford Four, who had been convicted of other IRA mainland pub bombings, amid allegations about the conduct of the West Midlands Serious Crime Squad.

The continued imprisonment of the Birmingham Six has been a source of friction in Anglo-Irish relations. Many prominent people have been involved in the campaign for their case to be re-examined and one of these, Cardinal Basil Hume, Roman Catholic Archbishop of Westminster, said yesterday: "I warmly welcome the decision of the Home Secretary."



Visitors to the small town of Uddevalla on Sweden's West Coast will find Volvo's latest car plant sited right by the sea.

Inside the plant, 'the greatest step forward in the history of modern car production has been taken', according to many experts.

The assembly line is gone. Instead, cars stand in workshops during assembly, a small team

building a complete car.

The teams of workers see themselves as families and that is just what they are. Men and women of all ages work side by side, using special ergonomically designed machines evolved especially for them.

The Uddevalla workers have already demonstrated that their way of making cars is more natural, and often more efficient,

than the traditional assembly line. They have confirmed Volvo's belief that responsibility, involvement, comradeship and joy increase work satisfaction and raise product quality.

Volvo's thinking is quite natural: build a car with commitment, pay attention to quality, and the owner will soon notice the difference.

VOLVO: 77,000 employees worldwide. Sales £ 10, 000 million. Business activities encompass cars, trucks, buses, marine and industrial engines, aerospace, food and finance. Our position as a major international group with substantial operations in Europe and North America is a result of quality, safety, high ethics and showing care for people and the environment.

VOLVO

We spoil our passengers as much as we spoil our aircraft.



The well-being of our passengers is the main objective of our work – our *raison d'être*. And, in this connection, we don't make any qualitative distinction between the way we maintain our aircraft and the way we go about looking after you on the ground or in the air. Anybody who knows

us at all will hardly raise an eyebrow when they hear we consider our aircraft no less important than our passengers. They know that – with an annual investment of DM 2 billion in the servicing and maintenance of the fleet, with the training of our pilots and ground crews, as well as

with our uncompromising safety standards – we are one of the world's leading airlines. And so, when we say we spoil you as much as we spoil our aircraft, you know what we mean. After all, what use is the loveliest smile in an aircraft that doesn't meet Lufthansa's standards?

MACANN-BICKSON



Lufthansa

Invest Now in Germany

The collapse of barriers that separated Europe into East and West for decades has created attractive investment opportunities in a rapidly changing political environment. Previously untapped consumer markets in Eastern Europe are opening up to Western and Asian products, technologies and services.

West Germany, a driving force behind the integration of Western Europe and the continent's most dynamic economy, is the logical bridge between East and West. Bordering on three East European countries, West Germany serves as a platform for access to the entire East European marketplace. For numerous West German corporations this unique position adds great potential for expansion and growth for many years to come. For this reason it is well worth investing in selected West German companies poised to gain from the emergence of these new markets.

If you want to benefit now from the added growth potential of West German corporations, talk to Hypo-Bank, West Germany's oldest publicly-quoted bank and one of the nation's leading financial institutions.

Hypo-Bank's expert teams of researchers, securities analysts, economists and portfolio managers pool their long experience and market knowhow to provide their clients with the finest in performance-oriented investment decision-making. These capabilities are supported, for example, by a significant local presence in East Germany, where the Bank is opening a total of 20 branches.

To find out how you too can profit now from the many new Europe-related investment opportunities already on the horizon in Germany, contact one of our specialized teams of professionals in Munich:

Portfolio Management Services:
Andreas Muth, Telephone: (89) 23 66-86 61, Fax: (89) 23 66-85 89, Telex: 5 286 546

Institutional Sales:
Christine Seubert, Telephone: (89) 92 44-61 20, Fax: (89) 92 44-61 40, Telex: 5 213 886.



Investment Banking
in the finest Royal Tradition

HYPO-BANK, Bayerische Hypotheken- und Wechsel-Bank AG, Theatinerstrasse 11, D-8000 Munich 2

UK NEWS

Fear of poll defeat cools Tory budget celebrations

By Philip Stephens and Michael Cassell

FEARS that the Government faces a spectacular defeat in today's Mid-Staffordshire by-election and a renewed political row over the new local government poll tax yesterday took some of the political shine of Mr John Major's first budget.

Mr John Smith, the opposition Labour party's shadow chancellor, launched a scathing attack on an "irrelevant budget". Some Conservative MPs joined with the opposition in demanding extra money for poll tax rebates in Scotland.

In what was seen as a typically strong performance, Mr Smith said that the failure of the Government's economic strategy had left Britain "top of the inflation league, top of the trade deficit league and bottom of economic growth league".

Mr Major was seen as signalling the start of a broader effort by the Government to be more sensitive to the views of the electorate, particularly those on lower incomes.

The City of London's negative reaction to the budget and

the concern over the expected result in Mid-Staffordshire refocused attention, however, on what senior ministers expect to be a bleak few months.

Mr Kenneth Baker, the Conservative Party chairman, continued to forecast publicly yesterday that the Government would hold on to the seat. He appeared, however, to acknowledge the possibility of defeat when he insisted that the by-election result would not carry wider implications for the Government.

Labour is increasingly confident that the unpopularity of high mortgage rates and the poll tax will allow it to overturn a 14,500 Conservative majority to achieve what would be its biggest by-election victory since 1985. It believes that such a victory will pave the way for gains in the May local elections.

Privately some ministers were conceding that the Government had mishandled the introduction of the new poll tax rebate rules by not anticipating the intense protests

from Scotland where the tax has already been levied. Despite the administrative difficulties, one member of the Cabinet said the Government should "simply write a cheque to the Scots" to defuse the row.

The Government's embarrassment was compounded by the fact that it was forced to concede that the concessions in England and Wales will benefit fewer people than the 250,000 originally announced.

Senior British businessmen are evenly split over whether they think the Conservative Party will have a better chance of winning the next general election. If Mrs Margaret Thatcher stays or goes as Prime Minister and just over one third of them believe that the Labour Party will win the next general election anyway.

ICM Research, for the Financial Times, interviewed 616 directors of companies with reported sales of £15m plus on March 21 1990. Companies were selected at random from Key British Enterprises. All interviews were conducted by telephone.

In Brief

Schroders disclosed profits up by 55%

SCHROEDERS, the City of London merchant banking group which has advised on many of the UK's largest takeover and privatisation deals, yesterday reported a steep growth in 1989 earnings. Disclosed profits after transfer to inner reserves and tax were up 55 per cent to £46.6m from £30.1m and the total dividend is being increased by 28 per cent to 25p. The bulk of its profits came from the corporate finance business which had a record year.

GEC Alsthom dropped GEC ALSTHOM, the Franco-British heavy engineering group, has been dropped from consideration for the contract to build Britain's second-largest gas-fired power station, at Killingholme, Humberside.

The plant, to be ordered by National Power - one of the successor companies to the Central Electricity Generating Board - is expected to receive government approval within two weeks.

Bupa cleared by MMC A STRATEGY by Bupa, Britain's leading health insurer, to acquire a national network of private hospitals won the approval of the Monopolies and Mergers Commission yesterday.

In November the £92m bid was referred to the commission by Mr Nicholas Ridley, Secretary for Trade and Industry.

Renault plant warning MR JEAN-PIERRE Capron, chairman and chief executive of Renault Vehicules Industriels, the French truck maker, gave a stark warning yesterday that the company would close down its heavily loss-making UK assembly plant, if it failed to match the productivity and quality levels of the group's French and Spanish operations.

BP budget response BRITISH PETROLEUM yesterday became the first large company to announce plans to establish a workplace nursery following the changes in childcare tax treatment announced in Tuesday's Budget.

Anglo-French team set to win contract for new Severn bridge

By Andrew Taylor, Construction Correspondent

AN Anglo-French consortium of John Laing, the British construction company, and GTM Entrepouse, the large French engineering group, has been recommended to build a £300m privately financed toll bridge across the Severn estuary.

The recommendation was made to Mr Cecil Parkinson, UK Transport Secretary, by Department of Transport officials.

The road bridge would be at English Stones, three miles from the existing bridge, which was built 22 years ago and is now insufficient to handle all the traffic generated by a much improved economy in south Wales.

The consortium would also take over the debts and operation of the existing bridge. The total cost of the project is expected to be about £80m. GTM Entrepouse is expected

to provide the design for the bridge. The consortium is understood to have strong support from French financial institutions, including Credit Agricole.

These institutions see the bridge as an opportunity to break into the British market for privately financed infrastructure projects.

This trend is expected to grow following the privatisation of the water and electricity supply industries. Plans for light rail systems involving private finance have been proposed by British cities including Manchester and Bristol.

The proposal by John Laing and GTM Entrepouse was chosen rather than a similar scheme from an all-British consortium of Trafalgar House the construction, property, shipping and hotels group and

BICC engineering group.

The Laing proposal, which is expected to be financed almost entirely by debt with almost no equity, is understood to have worked out slightly cheaper than the proposal from Trafalgar House and BICC.

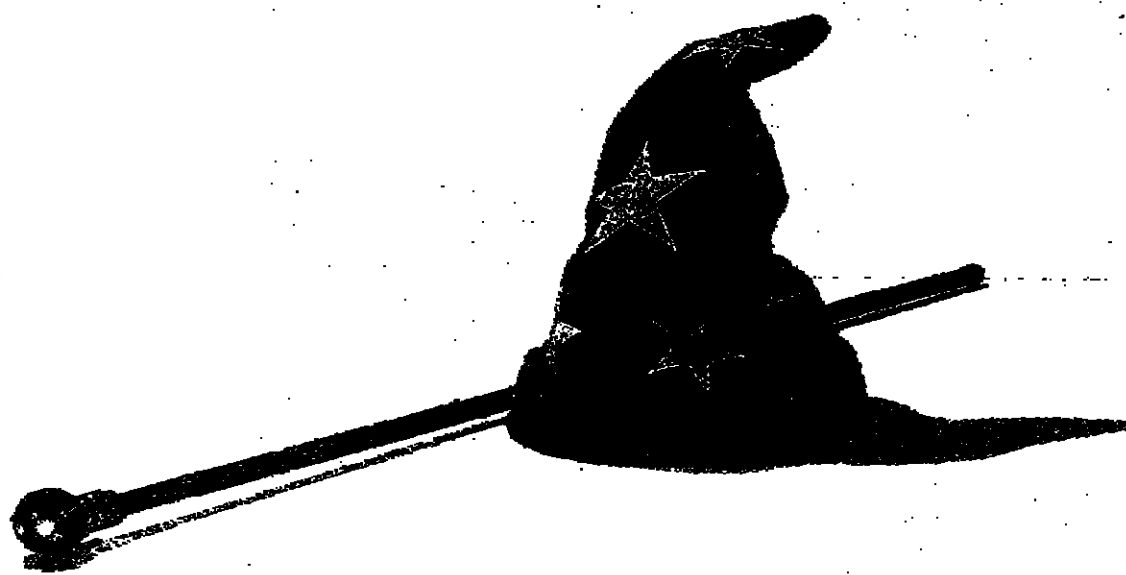
Their scheme would have involved a larger element of equity, requiring a higher rate of return than an all-debt scheme.

Mr Parkinson is expected to confirm very soon the award of a concession to finance and operate a privately financed Severn bridge.

Trafalgar House and BICC are currently bidding to build a privately financed road between the Scottish mainland and the Isle of Skye. Trafalgar House is also building a privately financed toll bridge at Dartford across the River Thames.

"IT 90?"

An exhibition which puts together computing, telecommunications
Paris and a Europe-wide market? That would take an organisational miracle!



You could say that.

IT 90* at Grand Sicob. It's what the world's been waiting for. And it's for real: networks, technology and users.

You don't have a dream any longer: IT 90 is here - the No. 1 exhibition for computers and telecommunications. 1992 is not a dream. It is fast becoming reality. And it will mean that businesses no longer need run local computers to maintain local operations. The age of the network, regional, national and international, is truly here. IT 90 will enable you to make an informed choice. It is aimed specifically at decision-makers like you, from Europe's leading companies. It is supported by the

*The European event in computing and telecommunications

For any further information about visiting the IT 90 exhibition, please contact the manager of PROMOSALONS - FRENCH TRADE EXHIBITIONS: Tel.: 01 221 3600 - Fax: 01 762 3625

Brussels DG XIII. And, to make your visit even more worthwhile, it coincides with COMDEX/Europe, the European micro-computer fair. Same time. Same place. IT 90 is also the venue for an international conference chaired by the Director General of one of the twelve EEC telecommunications companies. They'll be discussing the harsh realities of post-1992 communication. The only dreams you'll find at IT 90 will be the ones you fulfil.



Commissariat général - Comité des Expositions de Paris
Tél.: 33 (1) 48.09.60.00

Design: CLM-BBDO

In Brief

Schroders disclosed profits up by 55%

... of the ...

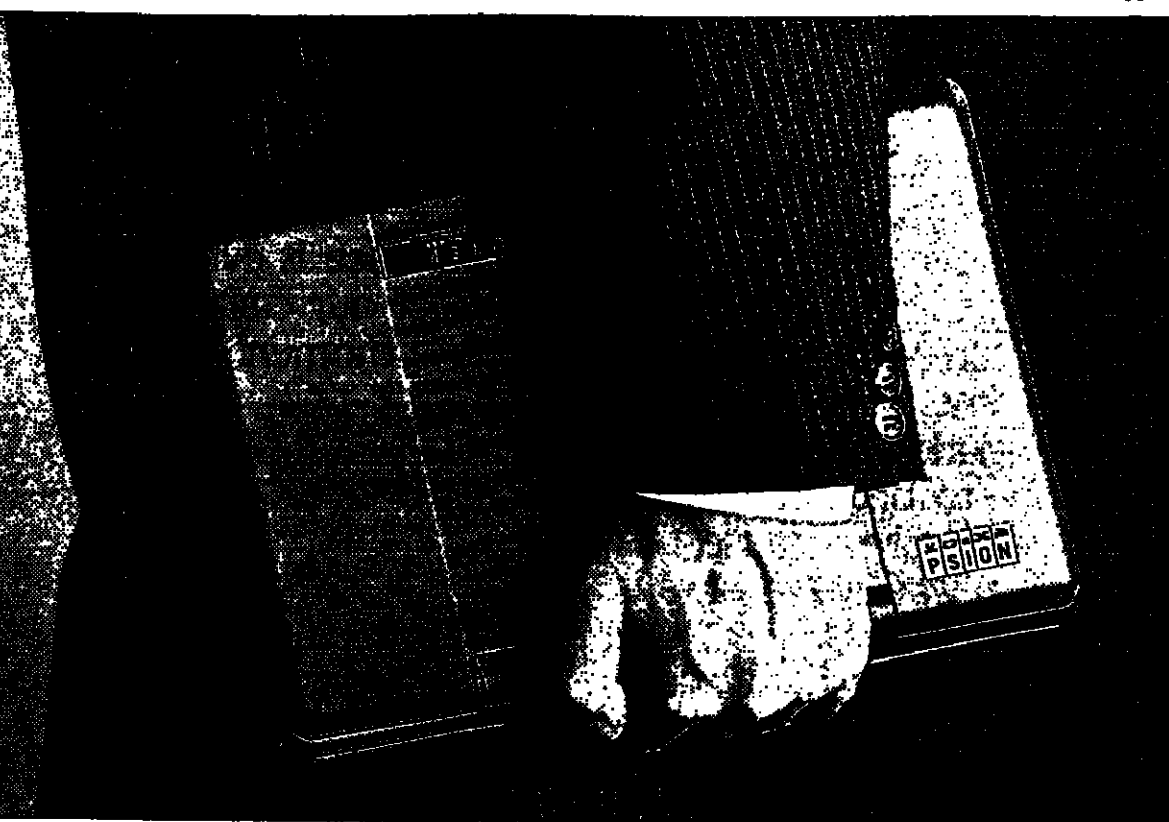
... of the ...

... of the ...

... of the ...

... of the ...

Forget everything you've ever heard about computers



Psion Mobile Computers will do more than just change the way you think about computers . . . they'll change the way you work.

Don't believe it? Well, look at a few facts.

Psion Mobile Computers are book-size, weigh less than 4½lb, and run for typically 60 hours non-stop, without sight of a mains supply. Yet they have the size of screen, keyboard, memory and all the power of a desk-top machine.

So how will all that change the way you work? They're not only easier to take with you, they're easier to use. Much easier. Just open up and carry on exactly where you left off. Instantly. No re-booting. No program re-loading. No hassle. Being more usable, you'll use them more. It's as simple as that.

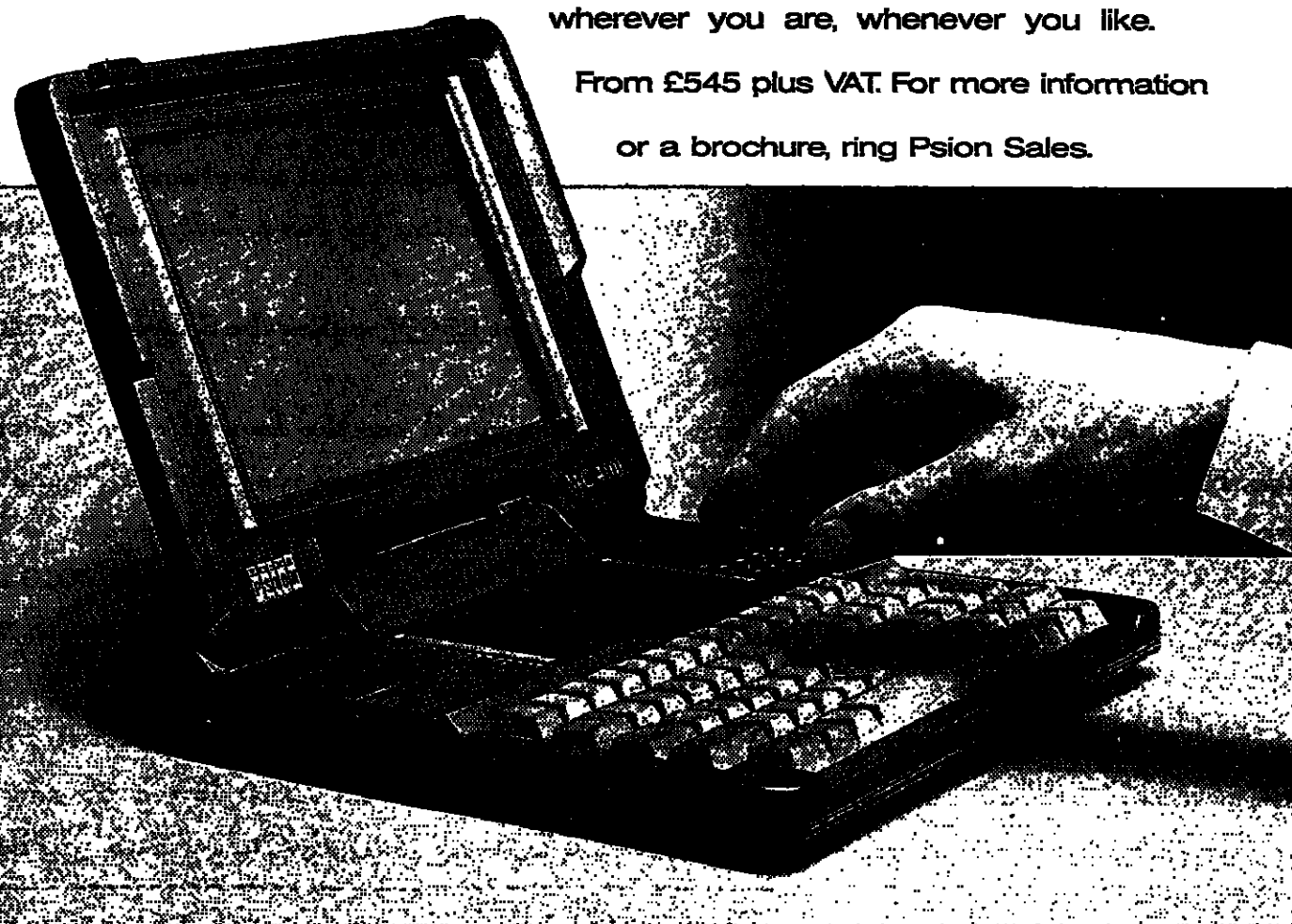
It's all made possible by new technology. They're bristling with it. New Solid State Disks (no moving parts to 'crash'). New types of graphic screen (black and white and crystal clear). New touch pad (even easier to use than a mouse). New voice compression techniques (yes, computers you'll be able to talk to).

Two ranges are available. One is 100% PC compatible. The other has almost everything you need built-in, together with a graphic interface, touch pad and multi-tasking.

Both can be integrated with (not just connected to) other computers.

Either will give you complete freedom to use full computing power wherever you are, whenever you like.

From £545 plus VAT. For more information or a brochure, ring Psion Sales.



• PC compatible MS-DOS 3.21 • 640 x 200 or 640 x 400 high resolution black and white graphic screen • Full travel full size QWERTY keyboard • Touch pad (replaces mouse) • 1 or 2 floppy disk drives for 5¼" disks (2MB or 1MB capacity) • 2MB or 1MB each • Slot for expansion modules • Battery life typically up to 75 hours • Size 15" x 10" x 1" • 1.5kg • 100% PC compatible models have 1MB RAM • 1Mbyte RAM disk built in LAFZINK II

Available at selected branches of Alders Duty Free, Berrys, Dixons, Harrods, John Lewis Partnership, Selfridges, Ryman, Wilding Office Equipment and selected independent computer dealers.

Psion Mobile Computers



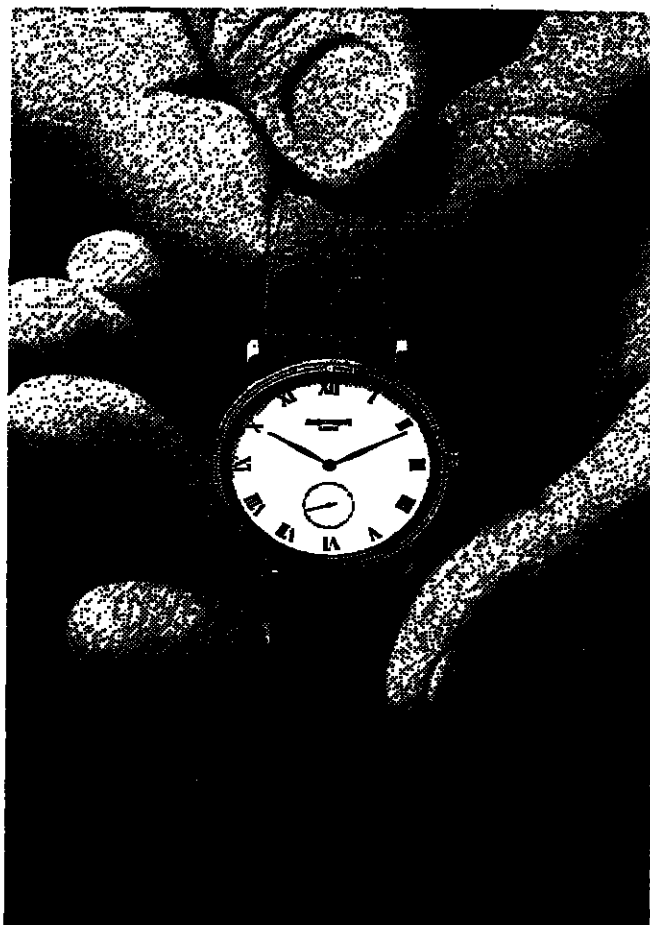
Psion PLC, Alexander House, 55 Frampton Street, London NW8 8NQ. Tel: 01-262 5590. Fax: 01-402 3144. Tlx: 263256 PSION G.

WHEN you first handle a Patek Philippe, you become aware that this watch has the presence of an object of rare perfection. We know the feeling well. We experience it every time a Patek Philippe leaves the hands of our craftsmen. You can call it pride. For us it lasts a moment; for you, a lifetime.

We made this watch for you - to be part of your life - simply because this is the way we've always made watches.

And if we may draw a conclusion from five generations of experience, it will be this: choose once but choose well.

A Patek Philippe - because it's for a lifetime.



PATEK PHILIPPE
GENEVE

Exclusive Patek Philippe showroom, 15 New Bond Street, London
Asprey & Co Ltd, 165 New Bond Street, London
Garnard & Co Ltd, 112 Regent Street, London
George Pragnell Ltd, 5 Wood Street, Stratford-upon-Avon
Watches of Switzerland Ltd, 69 Brompton Road, Knightsbridge, London
Watches of Switzerland Ltd, 22 Royal Exchange, Threadneedle Street, London
Watches of Switzerland Ltd, 500 Oxford Street, London
Tyme Ltd, 1 Old Bond Street, London

BUSINESS LAW

Delaware Supreme Court boosts powers of takeover target boards

By Leo Herzel and Richard W Shepro

In line with the anti-takeover mood in the US, the Delaware Supreme Court's long-awaited opinion on the Time/Paramount takeover battle greatly expanded the powers of directors of target companies.

The court, which last summer affirmed the Delaware Chancery Court's opinion in favour of Time without giving its reasons, ruled that a target board can continue to pursue its business plan even when that would prevent shareholders from receiving a very high takeover premium.

Paramount had launched a hostile high-premium tender offer for Time when Time was about to merge with Warner.

Under the rules of the New York Stock Exchange, the merger required approval of Time's shareholders. In the face of the Paramount offer, it was apparent that Time's shareholders would not approve the merger.

To avoid the need for a shareholder vote, the Time directors, with the agreement of Warner, decided to restructure the transaction as a cash tender offer (with a delisting by Time for control of Warner).

The agreement also provided for a merger at the same price to follow the tender offer but using securities.

Paramount's problem was that it needed time-consuming local approvals to obtain control of Time's cable television network. For this and other reasons, Paramount could not complete its offer soon enough to stop Time from acquiring Warner.

Paramount's only recourse was to the courts, so it sued in the Delaware Chancery Court to stop Time's tender offer for Warner. The Chancery Court refused to interfere with Time's tender offer. The Supreme Court affirmed, promising an opinion later.

The Delaware Supreme Court's opinion, handed down on February 26, makes two very important points.

First, the initial merger agreement between Time and Warner did not impose a duty on Time's directors to put the company up for auction as Paramount had argued. In the court's view, the pivotal question on this issue was whether

the original abandoned merger with Warner had put Time up for sale.

The court's answer was no because there was no "substantial evidence to conclude that Time's board, in negotiating with Warner, made the dissolution or break-up of the corporate entity inevitable."

This pronouncement is an important step in clearing up some of the greater ambiguities on the duty to auction that the court left behind in its 1986 opinion in *Revlon v MacAndrews & Forbes Holdings Inc.*

None the less, the opinion leaves plenty of room for new litigation: when is the dissolution or break-up of the corporate entity inevitable?

The court's second main point was to outline the very broad powers of boards of directors in takeover situations.

The board's "duty to manage a corporate enterprise" includes the selection of a time frame for achievement of corporate goals; this duty "may not be delegated to the stockholders," and "directors are not obliged to abandon a deliberately conceived corporate plan for short-term shareholder profit unless there is clearly no basis to sustain the corporate strategy."

Very plainly, the court extended the power to target boards, under some circumstances, to reject high premium takeover bids and, when there is more than one bid, to accept a low bid that fits into the board's strategy.

However, it would be imprudent to assume that the court's sympathetic general statements give target company directors a completely free hand. Conflicts of interest, for example, clearly are still out.

In fact, since the court is acutely sensitive to Delaware's delicate balance in the US corporate and political worlds, it rarely gives without also taking. Thus, conflicts of interest are likely to be dealt with even more severely than before.

Furthermore, it is still not quite clear from the opinion how far a target board can go with poison pills, lock-ups and similar anti-takeover devices to protect a favoured bid.

Poison pills were not an

issue in this case. Time had one but it did not need to use it to fend off Paramount. It was Paramount that was asking the court for help to stop Time's tender offer for Warner since Paramount needed more time to complete its offer for Time.

On the other hand, Time and Warner had an agreement to exchange shares (about 10 per cent of each company) which should either be called a lock-up or a very close relative. (A lock-up is an option on an important asset of the target given to a favoured bidder to discourage competing bids.)

The court chose to call the share exchange agreement a "structural safety device" which "had been adopted for a rational business purpose: to deter Time and Warner from being put in play by their original merger agreement."

For this reason, it did not violate the court's tough pronouncements against lock-ups in the *Revlon* case.

In short, the court thought it was a good lock-up. Only time will tell whether this opinion has made it easier to distinguish good from bad lock-ups.

After this opinion, target board procedures should become more important than ever. The opinion encourages target boards to make a record showing a pre-existing corporate business plan or that the dissolution or break-up of the company will not be inevitable even in a merger or sale in which the company's shareholders receive cash for all of their stock.

Unlike many other states, the Delaware legislature has not enacted strong anti-takeover laws. It passed one relatively mild compromise measure early in 1988, but has not done anything since.

With this judgment, the Delaware Supreme Court has moved Delaware much closer to the general anti-takeover sentiment in the US epitomised by new state statutes broadening the powers of target boards of directors to resist takeovers.

The opinion is the latest in a series of blows to the takeover industry in the US during the last three or four years. In retrospect, the first clear signs were the insider trading scandals which cast an air of suspicion over takeover activity.

Next came the 1987 US Supreme Court's opinion in the *CTS* case (2), which probably already reflected the negative influence of these scandals.

The *CTS* judgment upheld the constitutionality of an Indiana law restricting the voting of shares in takeovers. Many states moved quickly through the opening created by the US Supreme Court by passing a variety of laws restricting takeovers.

Combined with the decline of the junk bond market, anti-takeover changes in state legal rules, like this one, are making hostile acquisitions very difficult. On the other hand, friendly negotiated mergers with a clear business goal should be much easier and less costly to achieve because they will face less competition.

In the last 25 years, academic economists have been the intellectual backbone of the takeover movement. They correctly argued that the threat of takeovers was an important discipline on the self-serving behaviour of corporate managers. Recently, some of these economists have begun to have doubts about other effects of takeovers such as a pervasive short-term outlook, too much corporate debt and too many bad acquisitions by bidders.

In the future, the chief constraint on managers' self-interested behaviour may have to be more aggressive institutional shareholders and sceptical and independent boards of directors. Probably not an easy or ideal solution but a possible one.

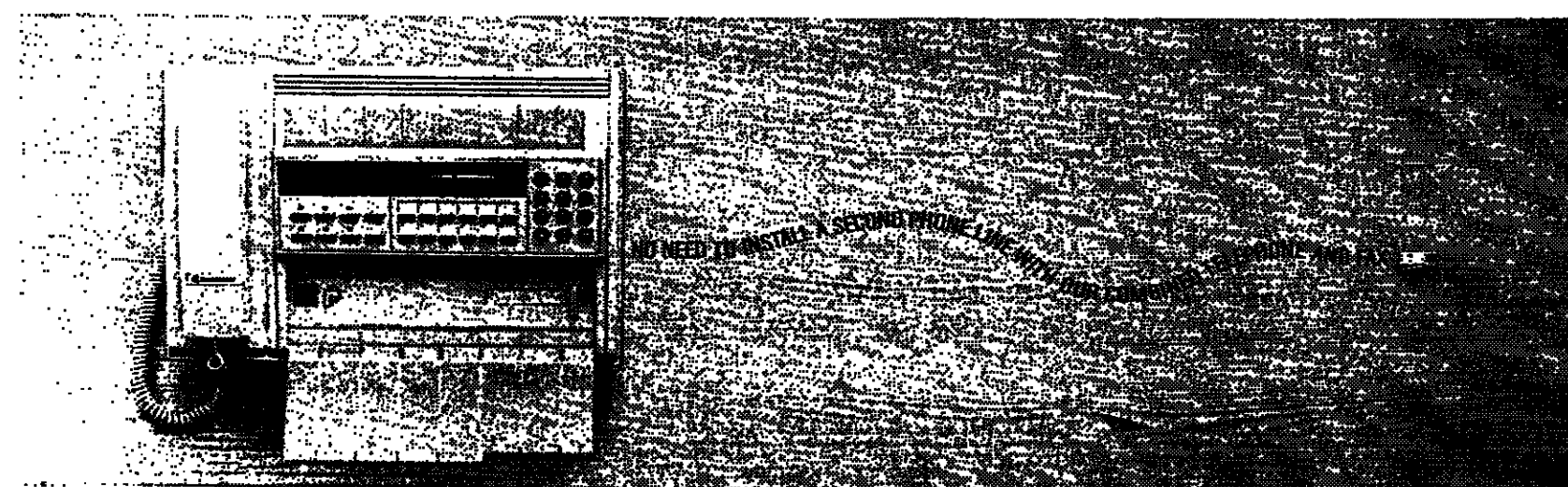
Some of the old takeover professionals will probably still be around using different techniques. Proxy fights, for example, are notably on the rise. But compared to cash tender offers they are a feeble alternative.

However, hostile takeovers for business-fit reasons (for example, the recent successful Georgia-Pacific bid for Great Northern Nekeosa) should not be counted out.

(1) 506 A 2d 173
(2) 481 US 69

The authors are partners in the Chicago office of the law firm of Mayer, Brown & Platt.

Why your business should have a Samsung personal fax. Explained in one line.



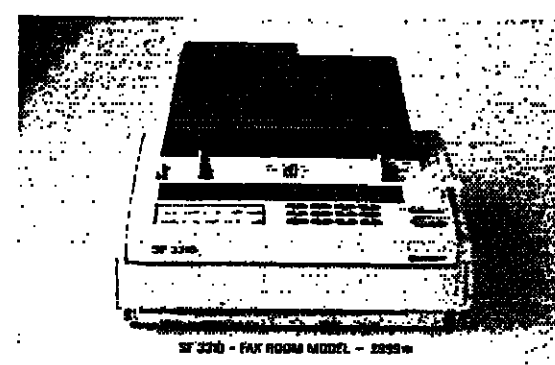
A Samsung personal fax is also a personal copier and telephone, so it plugs straight into your existing phone line. That means there's no connection fee for a dedicated fax line and no second phone line rental charges.

These considerations, plus a price tag of just **£599*** makes the Samsung SF2010 the ideal first fax for a cost-conscious small business.

If you're a Director in a large company, you'll see the benefit of a Samsung personal fax too. Namely confidentiality. Your own fax, on your own desk means that unlike the office fax, there's no queue of nosy people to surreptitiously read your confidential documents.

Whether it's used in big business or small business, the Samsung SF2010 does the business. Just check the list of features below. For more details simply fill in the coupon. We'll be happy to explain the benefits of our fax in more than one line.

- ☐ One touch dialling (12 locations), two touch dialling (99 locations), for either facsimile or phone functions
- ☐ Automatic redial or delayed autodial
- ☐ 16 levels of grey scale for clarity
- ☐ Automatic document feeder with 5 document capacity
- ☐ Daily/Delay/Multiple/Security Polling.

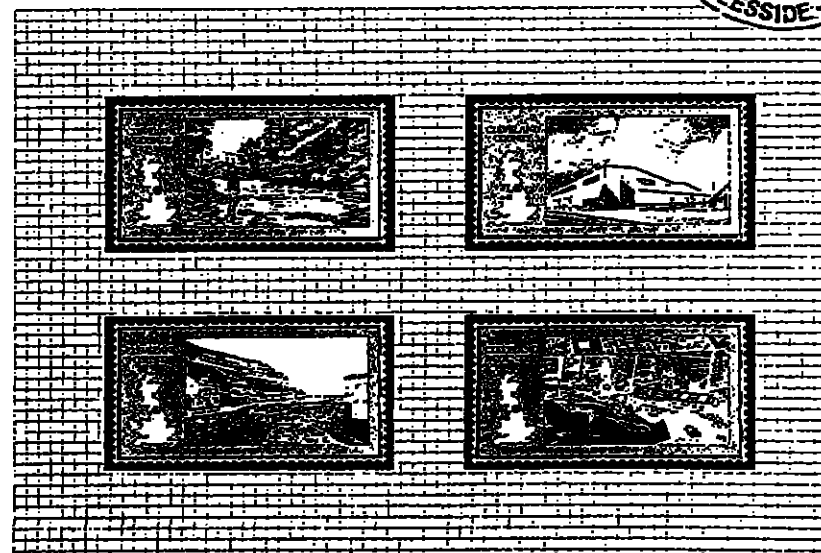


For further details on the SF2010 personal fax and the rest of the Samsung Range, complete this coupon and send it to: Samsung Electronics (UK) Ltd, Unit 1, Hook Rise Business & Industrial Centre, 225 Hook Rise South, Surbiton, Surrey KT6 7LD.

Name _____ Position _____
Company _____ Nature of Business _____
Address _____
Tel. No. _____

SAMSUNG Tried and trusted technology.

Give your company a first class address



Put your company to Cleveland and solve many major problems - recruiting and retaining staff - paying the earth for premises - spending time in traffic jams - and worrying about the cost of living.

Cleveland has first class answers. Skilled and adaptable people, loyal and hardworking. Low cost factories and business properties with unbeatable incentives and Enterprise Zone opportunities.

Fast road links together with excellent air and sea services. At the heart of Cleveland is the second largest port in England. Beautiful coast and country on the doorstep offering inexpensive housing, and time to relax.

More businesses and families are realising the advantages Cleveland offers. For a first class response post the coupon. (If you want to beat the post - Freefone Cleveland).

By the County Council, Cleveland Development Team
Cleveland County Council, Cleveland Development Team
County House, Middlesbrough Cleveland TS6 1QT

Name _____
Company _____
Address _____
Tel. _____

INTERNATIONAL STEEL

The Financial Times proposes to publish this survey on:

30th April 1990

For a full editorial synopsis and advertisement details, Colour available, details of rates and positions by request please contact:

Anthony G. Hayes
on 021 454 0922

or write to him at:

George House
George Road
Edgbaston
Birmingham B15 1PG

FINANCIAL TIMES
LONDON'S BUSINESS NEWSPAPER

Allo! Je m'abonne

Pour vous abonner par téléphone contactez John Riley at Arara Télécopieur à Paris ou 42 87 66 23 ou 42 87 66 20

BUSINESS SOFTWARE

A selection of software packages to suit your business needs appears every Saturday in the WEEKEND FT.

Order your copy today.

WEDNESDAY MARCH 2

boosts
boards

Who's bound to have more flights to Australia?



We've increased our number of flights to the land down under from 11 to 12 a week. And you can leave from either Heathrow or

Manchester. So now nobody flies to Oz more often than we do. But then being Australian, we simply love flying home. For more information

contact your local travel agent. Or call Qantas Reservations on 0345 747767.

 **QANTAS** The Spirit of Australia.

MANAGEMENT: Marketing and Advertising

Direct sales

Amway builds a Japanese network

Stefan Wagstyl explains how one American group penetrated the impenetrable

Alongside IBM, Coca-Cola, and Shell in the list of the 10 largest foreign companies in Japan, stands Amway, a privately-owned US direct sales group, which arrived in Japan only in 1978.

Amway has achieved the fastest growth in sales and profits of any foreign company in Japan in the past decade. In the year to last August it made ¥26.12bn pre-tax on sales of ¥76.4bn (¥309m). Among all companies in health and household products, its profits were second only to Kao, the Japanese industry leader.

At a time when US and European government officials claim Japanese markets are often impenetrable for foreigners, Amway boasts they are wide open. William Hemmet, president of Amway's Japanese operations, says: "Japanese markets are not closed to us. They never have been."

He maintains this view despite the fact that Japanese companies, having launched a counter-attack, have succeeded in bringing Amway's phenomenal growth rate almost to a halt. Amway is not complaining about unfair competition, though. Instead, it is squaring up to its local competitors.

The company has not so much broken through the barriers which have confounded other companies as found a way around them.

It does not use retailers and wholesalers but relies instead on its own sales network of 700,000 part-time and full-time agents. These commission-only distributors sell toiletries and household goods through catalogues mainly to their neighbours, friends and relatives.

This is a form of network selling which has met with criticism, both in the US and Europe, but which is very familiar in the Japanese retailing culture.

The Japan Mail Order Association says it has hundreds of members with a total estimated turnover of ¥2,500bn; so the US company, which was not the first foreign direct-sales company to arrive in Japan, is not short of competition. There is also little that is unique about Amway's range of toiletries and household goods, which are mostly imported from the US.



Amway relies on its network of 700,000 agents

What has clearly helped Amway to establish itself is its commitment to promoting its corporate culture. Though not novel in its approach, Amway has managed to strike a chord with the Japanese. Great emphasis is put on encouraging distributors to identify with the company - for example, by holding mass conventions for agents and their families, including one held in Disneyland last year and attended by 30,000 people.

Far from regarding this as American and alien, Amway's Japanese distributors have responded enthusiastically.

The whole structure is reinforced by paying the sales force better than do most competitors and rewarding them with lavish perks - 1,400 top agents have just come back from an all-expenses-paid trip to Singapore. Later this year, 50 or 60 elite sales people will go to Rome for an international Amway jamboree.

Amway's top 50 or so agents earned ¥16m (¥64,600) each last year. The next 4,800 netted ¥2.57m. Payments are structured so that distributors are encouraged to recruit new agents into the organisation.

The top-earning distributors have 1,000 and more salesmen beneath them. At these levels,

the pay is high enough to bring men as well as women into the distribution network, often working in husband-and-wife teams.

Hemmet says this is an important difference between Amway and its rivals.

The distributors are supported by a computerised order and delivery system manned by 450 salaried employees. Goods are despatched from Amway's three Japanese warehouses - one in Tokyo, one in Osaka and a third in Fukuoka, in southern Japan.

Orders are usually fulfilled in 24 hours. The deliveries are made by Japan's highly-efficient door-to-door trucking companies. Customers are given a money-back guarantee.

In the US, Amway, like other direct sales organisations, has been criticised for its selling tactics - agents are sometimes accused of exploiting family and friends.

Amway says most of this criticism is based on a misunderstanding of its methods. As far as Japan is concerned, there is very little hostile comment, because direct selling has long been a common practice.

Not only are toiletries and household goods sold in this way, but so are food, clothes,

life insurance and stocks and shares.

When it started in Japan in 1979, it relied entirely on existing US agents, who were asked to spread the word among Japanese friends. It started slowly, with only nine products. Today it sells 160, of which 70-80 per cent are imported, mainly from the US.

Hemmet says the company is constantly being approached by foreign and Japanese manufacturers to add their products to its range. He is particularly proud of a hot-plate made by Sharp, the Japanese electronics group, which sells better in its Amway version than under its Sharp brand-name in Japanese stores.

Having enjoyed rapid early expansion, Amway has been hit by competition - including a succession of product launches by the leading Japanese household goods companies - selling their goods through conventional retail outlets. Growth slowed last year - after a compound annual rate of profit expansion in the mid-1980s of 142 per cent - to just 2.5 per cent on a sales increase of 3 per cent.

But Amway has struck back. It has introduced new products of its own - including a range of specialist shampoos. It has also redesigned its packaging.

Most important, having eschewed both product and recruitment advertising from the beginning, it started a corporate advertising campaign. It is promoting itself by sponsoring television programmes, a speed-skating championship and tours by two US orchestras. Sales growth has now recovered to an annual rate of 10 per cent. Hemmet says: "You can't sit still."

The American company's story does little to settle the argument about the alleged impenetrability of the Japanese distribution system - since the company circumvents it. But it does much to disprove the old canard that Japanese consumers are prejudiced against foreign goods. In this case, Japanese consumers seem more than happy to buy American products from an American company. The difficulty for most foreign companies in Japan lies in getting close enough to their customers to see this for themselves.

UK leisure markets

Everyone for tennis

David Churchill reports on the game's potential mass-market appeal

growth in interest in tennis as a spectator sport.

The Government's General Household Survey, for example, shows that tennis ranks as one of the least popular participation sports; only 3 per cent of adults in 1987 (the last year for which figures are available) said that they regularly played, the same participation level as in 1977.

By contrast, the popularity of playing snooker, for example, had doubled over the same decade; four times as many adults play snooker as play tennis, the survey showed.

The problem stems from the fact that while there are numerous outdoor courts throughout the UK, the British climate prevents their being used for most of the year. Only one in every ten tennis players says that he or she plays during the winter months, and mostly on indoor courts.

Thus the key to the selling of the sport in the 1990s will depend on its success in making it easier for people to play all year round.

The UK lags badly behind most other European countries in the provision of indoor tennis facilities; there are just 400 indoor courts in the UK compared with more than 15 times

that number in France. The Netherlands has over 1,200 indoor courts.

Most indoor courts in the UK, moreover, are for members only (such as the David Lloyd tennis centres) where membership fees are priced at a level reflecting the scarcity of facilities available.

This prompted the Sports Council, the Lawn Tennis Association and the All England Lawn Tennis Club to set up a five year programme - which started in 1987 - to invest some £7.5m in indoor courts. Local authorities which joined the scheme were expected to match the funding.

To date some 11 new indoor centres have been opened, adding a total of 89 all-weather courts, with a further eight centres under construction.

These centres operate under the premise of "pay and play"; no membership fees are required. "It makes tennis a lot more accessible to many people who might be put off by the cost of joining a club," says Fitzhenry.

According to the Sports Council, one result of the availability of more indoor tennis is that about 15 per cent of players are first-timers. "It may not seem very much but these are

people who otherwise would probably never have tried playing tennis," adds Fitzhenry.

But what is most important to sports marketers - such as Dunlop and Slazenger which dominate the market for tennis equipment - is the potential spin-off effect of more tennis players playing all year round.

At present, some £30m a year is spent on racquets and balls - less than a third of what is spent on golfing equipment. "There is an urgent need to raise participation levels in the game if the equipment market is to grow," points out Key Note. It sees further opportunities, moreover, for expanding equipment ranges; a designer range of coloured racquets with matching strings and balls is one suggestion.

The real threat to tennis becoming the growth sport of the 1990s, however, comes from the pressure on local authorities to curb spending, which might force them to stop developing indoor tennis centres. An alternative is for more private-sector developments; one such proposal is to turn sporting stadia into leisure and sports centres.

A company called Raylan design consultants is already in talks with Everton Football Club about such a scheme - "common on the continent." "Too many stadia are simply white elephants," points out Simon Morris, a director of Raylan. "We plan to approach the Wimbledon authorities to discuss proposals to make use of its facilities all year round."

Henley also perceives a shift in society's values, partly a result of changing demographics and family orientation, but also as a reaction to the competitive and materialistic ambitions of the past decade.

"Sport will be more about playing for enjoyment, for fun, rather than for winning," it says. "Lovers, therefore, will be squash and martial arts sports while winners, suggests Henley, will include golf, tennis, and badminton."

According to Henley, there will be greater awareness by consumers about the relative health aspects of various sports. "Jogging, with the skeletal stresses it can produce, and squash, will continue to decline in popularity, while swimming and the less manic types of aerobics which are now available will continue to prosper."

Leisure Futures, Henley Centre for Forecasting, 2 Tudor Street, London EC4A 3SE.

Winners and losers in the sports stakes

Badminton but not squash, walking and cycling rather than football, tennis and golf, are the sports predicted to become the particular favourites in the 1990s by the Henley Centre for Forecasting in its latest look at how consumers will spend their leisure time.

Henley believes that several key factors will force sports marketers to re-think their marketing strategies if they are to capture a share of the £8.6bn it estimates will be spent this year on sporting goods, services, clothing, and footwear.

Although Henley expects growth in these markets in the short-term to be slower than it had initially expected because of the present economic squeeze, it says that "concern

with sports activities is sufficiently central to consumers' lives to make prospects favourable over the long term."

The crucial determinant of the sporting winners and losers of the 1990s is, suggests Henley, the continuing growth in affluence of over-50s - "will clearly make its impact felt."

Fewer young people will opt for sports such as table tennis, football, basketball and rugby - while more of the elderly consumers will continue to favour less strenuous sports such as bowls, hiking and rambling.

Henley says its surveys show a trend towards greater family orientation in the 1990s; hence sports such as swimming which allow whole family participation will continue to grow. "Equally, sports such as badminton (rather than squash) which can be played as mixed sports and which have a strong social element will also prosper."

FT STATIONERY AT HALF PRICE.

(Now your world doesn't cost the earth.)

FT PERSONAL ORGANISER PAGES - DESIGNED TO SUIT YOUR BUSINESS NEEDS.

FT Stationery packs are designed with a thorough understanding of business people's needs. They allow you to build up your personal organiser precisely the way you want it.

Lasting 12 months, each pack is compatible with most other 6-ring binder systems and contains a hefty 200 pages.

There's nothing hefty about the sale price, though. £240* each. At 50% off, it's a price that's out of this world and exclusive to FT readers.

The Business Travel Pack is a genuine asset. Contents include: • Business Contacts • Motor Running Expenses • Business Expenses • Itineraries • Route Planners • Travel, Departure and Arrival Checklists.

The Private Investment Pack is essential for everyone who takes their finances seriously. Contents include: • Tables for compiling Share Records • Charts to monitor Overseas Investments • Checklists for Records of Insurance • Graph paper (metric and imperial) • Logarithmic Scales • Pages for your own Analysis • Summary Sheets.

The Time and Task Management Pack is a most powerful tool.

Logical, simple programming ensures you use every hour of your day to maximum advantage. Task Priority Index, Work Load Charts, Task Overviews, Action Plans and Timetables are among the features that keep you moving according to plan.

A full-year's page-a-day Diary Pack helps you run your life efficiently. You decide when it starts, choosing how many days/months to include in your binder at any one time.

There's space for over 20 appointments, boxes to identify actions for the day, space for notes, 3 months' calendar on each page, foldout Forward Planner, and a Staff Holiday Planner.

The Address/Notes/Staff Pack - the difference between running your business well and running it better. Contents include: • A supply of notesheets for jotting down ideas.

Or if you prefer, try a sample of everything in the FT Starter Pack for a mere £11.35*

Alternatively, buy the Complete Set of packs - including a Storage Box - at the special money-saving price of £31.15* All

information can be stored in the sturdy, attractive Storage Box for used and spare sheets, with FT-pink plastic dividers to identify the sections. At £10.15; it's a price you'll think the world of.

UNRIVALLED STANDARDS OF EXCELLENCE

There is an elegant range of binders to load your stationery into - with gilt rings and ample space for papers, bank notes and credit/business cards. For a modest extra sum, your initials can be goldstamped on the front cover of your binder.

To take advantage of the special half-price offer, complete and return the Order Form below - or ring 01-799 2274, quoting your credit card details.

Many other invaluable aids to good management are profiled in the FT Collection catalogue. Its 16 pages are packed with such goodies as the world-famous FT Desk and Pocket Diaries and a large range of leather accessories.

Send for your FREE catalogue now.

Or call

01-799 2002.

*Includes of VAT but excluding postage and packing.

FT Business Information Ltd, Number One, Southbank Bridge, London SE1 9UL. Registered No. 889898.

ORDER FORM

Please tick where applicable.

☐ Please send me the FT Collection Catalogue and Order Form ☐ I wish to place a firm order as detailed below

Name (Mr/Ms/Ms/Ms) _____

Company _____ Position _____

Address _____

Postcode _____ Telephone _____

Signed _____

RING 01-799 2002 OR WRITE FOR YOUR FREE FT CATALOGUE NOW

Please return to: FT Collection, Financial Times Business Information Ltd, 7th Floor, 55-56 Broadway, St. James's Park, London SW1H 0DL. Tel: 01-799 2002. Telex: 827 282 FTINTG.

CODE: Type of Stationery pack (Page Size 171 x 249mm)

DIS: Diary Section (see diary start date below)

TS: Travel Section

TMS: Time and Task Management Section

API: Address/Private Investment Section

ANS: Address/Notes/Staff Section

BT: Book and Table

FT: Full Pack

ST: Starter Pack

CS: Complete Set

Price (incl. P&P)

£240 £240 £240 £240 £240 £240 £240 £240 £240 £240

Please add 10% VAT unless you are outside Great Britain and Northern Ireland.

I would like my order to start on _____

How to pay: Payment must accompany order and should be drawn only on a standing account made payable to FT Business Information Ltd. As customs regulations vary, we cannot guarantee items will be free of duty.

Tick Method of Payment: ☐ Cheque ☐ Money Order ☐ Access ☐ Visa ☐ Amex ☐ Card No. _____

Card No. _____

Please state billing address if different to above

Cardholders signature _____

Cardholders name _____

TELEPHONE ORDERS 01-799 2274

The Leading Hotels of the World

We speak your language in 60 countries.

For your personal copy of our Directory of 235 luxury hotels worldwide, in your choice of English, French, German, Spanish, Italian or Japanese, and for reservations, contact your travel consultant or telephone:

U.S.A./Canada (800) 223-6800
New York City (212) 898-3110
Great Britain 0-800-181-123
France (01) 05 90 84 44
Holland 06 022 1123
Italy 1678-22005

Milan (02) 669-86131
Spain 900-100845
Switzerland 0465 05 1123
West Germany 01-30-21-10
Frankfurt (069) 299-8770

Hong Kong 900-2518
Tokyo (03) 797-3631
Singapore (65) 737-9955
Australia (08) 222-453
Sydney (02) 233-8422

New Zealand 0800-44-1016
Buenos Aires (1) 322-3563
Brazil (11) 800-105
São Paulo (011) 251-3022
Mexico 91-900-9007
Mexico City (5) 584-9866

THE BEST INCENTIVES FOR MAKING A MOVE

Mid Glamorgan is the closest government 'Development Area' to London and the South East on the M4, with excellent communications by road, rail, sea and air bringing the whole of the UK and Europe within fast and easy reach.

Mid Glamorgan offers unbeatable financial incentives; the largest range of sites & industrial property in Wales and opportunities for a superb lifestyle in an attractive environment.

Make the right move. Find out how you can join the growing number of successful companies who have chosen Mid Glamorgan for a new start-up, expansion or relocation project. Clip the coupon below or telephone our 24 hour Enquiry Hotline today.

CARDIFF (0222) 820770

Name _____
Title _____
Company _____
Nature of Business _____
Address _____
Tel No. _____

Business Development Team, Mid Glamorgan
County Council, Greyfriars Road, Cardiff, CF1 3LG.

'I can't believe it!'

BUT IT'S TRUE. Not leaving a legal, valid Will behind you could mean that your family inherits only worry, heartache and hardship. They could even lose the family home that you assumed would be theirs by right.

That is why - however modest your 'estate' may be - it is so important that you make (or update) a proper Will, now. It's not difficult, or expensive. Our 16-page booklet tells you all you need to know... and how to leave as much as possible to those you really care about - including, if you wish, a deserving Charity like the DGAA. For over ninety years this Charity has been helping to lift thousands of kindly people from the mental and physical abyss of bereavement, financial crisis and approaching frailty.

THIS EXCELLENT BOOKLET IS FREE! - yours for the asking, without any obligation whatsoever. Why? Because the very existence of our very special Charity depends to a great extent on the extraordinary 'Will Power' of legacies. So naturally we hope you will want to help us, but, in any event, do write or 'phone for this excellent illustrated free booklet.

THE DISTRESSED GENTLEFOLK'S AID ASSOCIATION
Founded 1897
Patron H.M. Queen Elizabeth, the Queen Mother
To the DGAA, Vicarage Gate House,
Vicarage Gate, London W8 4AQ Tel: 01-239 9341.
Please send me, without obligation, free copy of "How to Make Your Will"

Name _____
Address _____

FT STATIONERY AT HALF PRICE.

(Now your world doesn't cost the earth.)

FT PERSONAL ORGANISER PAGES - DESIGNED TO SUIT YOUR BUSINESS NEEDS.

FT Stationery packs are designed with a thorough understanding of business people's needs. They allow you to build up your personal organiser precisely the way you want it.

Lasting 12 months, each pack is compatible with most other 6-ring binder systems and contains a hefty 200 pages.

There's nothing hefty about the sale price, though. £240* each. At 50% off, it's a price that's out of this world and exclusive to FT readers.

The Business Travel Pack is a genuine asset. Contents include: • Business Contacts • Motor Running Expenses • Business Expenses • Itineraries • Route Planners • Travel, Departure and Arrival Checklists.

The Private Investment Pack is essential for everyone who takes their finances seriously. Contents include: • Tables for compiling Share Records • Charts to monitor Overseas Investments • Checklists for Records of Insurance • Graph paper (metric and imperial) • Logarithmic Scales • Pages for your own Analysis • Summary Sheets.

The Time and Task Management Pack is a most powerful tool.

Logical, simple programming ensures you use every hour of your day to maximum advantage. Task Priority Index, Work Load Charts, Task Overviews, Action Plans and Timetables are among the features that keep you moving according to plan.

A full-year's page-a-day Diary Pack helps you run your life efficiently. You decide when it starts, choosing how many days/months to include in your binder at any one time.

There's space for over 20 appointments, boxes to identify actions for the day, space for notes, 3 months' calendar on each page, foldout Forward Planner, and a Staff Holiday Planner.

The Address/Notes/Staff Pack - the difference between running your business well and running it better. Contents include: • A supply of notesheets for jotting down ideas.

Or if you prefer, try a sample of everything in the FT Starter Pack for a mere £11.35*

Alternatively, buy the Complete Set of packs - including a Storage Box - at the special money-saving price of £31.15* All

information can be stored in the sturdy, attractive Storage Box for used and spare sheets, with FT-pink plastic dividers to identify the sections. At £10.15; it's a price you'll think the world of.

UNRIVALLED STANDARDS OF EXCELLENCE

There is an elegant range of binders to load your stationery into - with gilt rings and ample space for papers, bank notes and credit/business cards. For a modest extra sum, your initials can be goldstamped on the front cover of your binder.

To take advantage of the special half-price offer, complete and return the Order Form below - or ring 01-799 2274, quoting your credit card details.

Many other invaluable aids to good management are profiled in the FT Collection catalogue. Its 16 pages are packed with such goodies as the world-famous FT Desk and Pocket Diaries and a large range of leather accessories.

Send for your FREE catalogue now.

Or call

01-799 2002.

*Includes of VAT but excluding postage and packing.

FT Business Information Ltd, Number One, Southbank Bridge, London SE1 9UL. Registered No. 889898.

ORDER FORM

Please tick where applicable.

☐ Please send me the FT Collection Catalogue and Order Form ☐ I wish to place a firm order as detailed below

Name (Mr/Ms/Ms/Ms) _____

Company _____ Position _____

Address _____

Postcode _____ Telephone _____

Signed _____

RING 01-799 2002 OR WRITE FOR YOUR FREE FT CATALOGUE NOW

Please return to: FT Collection, Financial Times Business Information Ltd, 7th Floor, 55-56 Broadway, St. James's Park, London SW1H 0DL. Tel: 01-799 2002. Telex: 827 282 FTINTG.

CODE: Type of Stationery pack (Page Size 171 x 249mm)

DIS: Diary Section (see diary start date below)

TS: Travel Section

TMS: Time and Task Management Section

API: Address/Private Investment Section

ANS: Address/Notes/Staff Section

BT: Book and Table

FT: Full Pack

ST: Starter Pack

CS: Complete Set

Price (incl. P&P)

£240 £240 £240 £240 £240 £240 £240 £240 £240 £240

Please add 10% VAT unless you are outside Great Britain and Northern Ireland.

I would like my order to start on _____

How to pay: Payment must accompany order and should be drawn only on a standing account made payable to FT Business Information Ltd. As customs regulations vary, we cannot guarantee items will be free of duty.

Tick Method of Payment: ☐ Cheque ☐ Money Order ☐ Access ☐ Visa ☐ Amex ☐ Card No. _____

Card No. _____

Please state billing address if different to above

Cardholders signature _____

Cardholders name _____

TELEPHONE ORDERS 01-799 2274

FINANCIAL TIMES SURVEY



After nearly three decades of a bush war, Africa's last colony has achieved its independence.

However, for the foreseeable future the Swapo government must accept an on-going economic relationship with its former enemy, South Africa, says Nicholas Woodsworth.

Trial run for regional peace

AT THE stroke of midnight on the evening of Tuesday March 21, Namibia became an independent nation. More than 500 years after European sailors first planted crosses on Namibia's desert coast, the birth of this southern African country brings the colonial history of black Africa to a close.

While in many countries on the continent rule against the will of the majority continues, rule by foreign colonial power has ceased. Less than a century ago a single empire stretching from the Cape to Cairo was still believed possible; today the South African relinquishment of Namibia has made all of black Africa independent.

The process leading to Namibia's birth has been one of the most complex and protracted in recent history. It involved a legal wrangle between the United Nations and South Africa that spanned nearly five decades and resulted in the passage of more than 20 UN resolutions.

It provoked the creation of an armed Marxist revolutionary organisation, a South African war against Angola, and the death, displacement and suffering of thousands of ordinary Namibians. Super-power rapprochement and an extended exercise in interna-

tional diplomacy were required for its successful conclusion.

When a defeated Germany handed over its 38-year-old colony to South African administration under a League of Nations mandate in 1920, no one could have predicted the complex twist of events that followed on South Africa's later refusal to give it up. Independence has now given Namibia greater control over its affairs, but its political make-up and economic fragility make the future uncertain.

Namibia in the last year has gone through an extraordinary period of transition. It comes after a decade of South African diplomatic intransigence and efforts to dictate an internal political settlement in Namibia.

Such a settlement proved impossible; armed conflict with Swapo, the South West Africa People's Organisation, brought the involvement of Angolan and Cuban troops and made South Africa's bush war costly and unwinnable.

Three elements have made the transition to independence possible: South Africa's realisation that it could withdraw politically from Namibia without damaging its economic and security interests in the region; the Soviet Union's decision to curtail diplomatic and military

support for revolutionary movements in Southern Africa; and United States diplomatic initiatives that allowed the signing of peace accords between South Africa, Cuba and Angola in late 1988.

All three elements paved the way for the implementation of Resolution 435, the United Nations document on which Namibian independence has been based for more than 10 years.

Given the hostility built up over that period between radical Swapo supporters and the politicians, civil servants and soldiers of a South African-backed administration, the spirit of national reconciliation and optimism that now prevails is remarkable. Since April last year, when Swapo exiles returned to Namibia and the UN initiated the most expensive and heavily-manned peace-keeping programme in its history, much has been accomplished.

Elections to a constituent assembly last November gave Swapo the majority it needed to form a government at independence. Its failure to win two thirds of the votes, however, meant that it could not write a constitution without the participation of Namibia's more moderate opposition parties.

The resulting document provides the checks and balances of Western-style government. The UN's insistence on provisions for democratic behaviour are backed by a clear message from the international donor

community: aid support for Namibia will depend on political performance.

But, as has been seen in many parts of the continent, constitutional guarantees are of little value if governments do not have the capacity to meet their population's economic expectations. Time and again, popular frustration with government's failure to provide economic opportunity has led to the state's disregard of constitutional law.

While most observers believe there is sufficient pressure on Swapo to keep it in a democratic path in the near future, few believe the present mood of euphoria will last for very long.

Swapo in the past has been characterised as an authoritarian Marxist party favouring one-party rule and the public ownership of Namibia's resources. Much of the ideology has disappeared. With communism's debacle in eastern Europe, a significant domestic political opposition, and the threat of Western aid withdrawal, Swapo has had little option but to moderate its policies.

Under the leadership of President Sam Nujoma, the Swapo government today has discounted wholesale nationalisation and sweeping measures of

land redistribution; it favours instead a "mixed" economy of public and private sector development, and encourages local and foreign private investment.

None the less, Swapo's promises of better lives for Namibia's 1.8m inhabitants have raised high expectations of rapid development and prosperity. At the same time, the economy that Swapo inherits

All of these sectors, however, in addition to having little further capacity for expansion, are dominated by South African interests. Mining, which accounts for 28 per cent of GDP and 65 per cent of exports, is controlled by three foreign companies, two of them South African.

They account for a net outflow of capital from Namibia, much of it to Johannesburg

committed to a new political and economic moderation, the new Swapo government has little choice but to accept an on-going relationship with South Africa. Namibia will gain formal membership to the South African Customs Union, giving it preferential trade agreements, and for two years at least remain inside the rand monetary system.

But President Nujoma's government has made two initial policy decisions, neither of which are dictated by South African considerations, which could threaten rational and sustained economic development.

Both are based on the political consideration of rapid job creation; with a population that has high expectations but is 30 per cent unemployed, this is considered Namibia's most urgent problem.

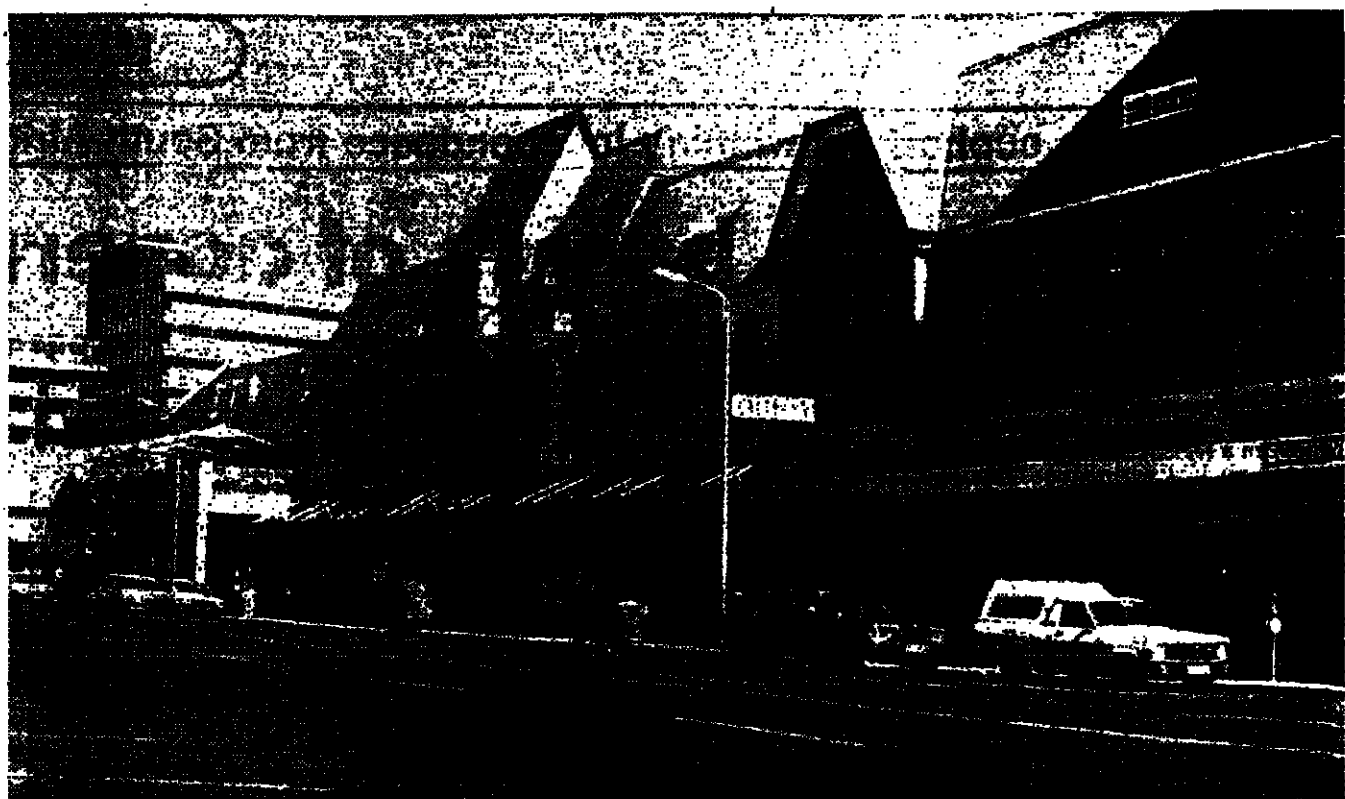
The first decision is to promote rapid development in agriculture and rural development - the highest growth-potential sector - through grant-aid, soft loans, and commercial financing. In addition to requesting funds to balance the first year's budget, Finance Minister Otto Herzigel is seeking R500m annually for five years for development projects. Growth through private investment would be a slower pro-

cess, but it would also avoid the well-known dangers of African aid dependency and mounting debt. Mr Herzigel, however, has not placed a high priority on investment.

The second decision is to concentrate efforts in economic development on capital-intensive, high-technology projects - dams, canals and downstream development costing up to R26,000 per hectare. The experience of other African countries has shown that such projects are rarely efficient or cost-effective.

Namibia will very likely receive the finance it is looking for. Its independence carries implications for the future stability of the entire region. If Namibia appears to be succeeding politically and economically, it will be seen as a vindication of the National South African government's policy of seeking a negotiated settlement with the African National Congress. The UN and the Western powers also have a vested interest in Namibia; much time, money and effort have gone into efforts to solve the region's problems.

In this sense, Namibia is both a trial run and prequel site for a larger and more crucial experiment in the future. But if Namibia is to succeed in its own right, it must recognise the limitations of its economy and adopt development policies it is capable of financing. Failure to do so could result not only in unsustainable development, but the political excesses that such development brings.



Contrasting images: a scene (left) at Elosha Pan and (right) buildings reminiscent of the German colonial period in Windhoek

NAMIBIA

IN THIS SURVEY

- ☐ Political assessment; Foreign relations; Trade2
- ☐ Economic review; Fishing; Mining3
- ☐ Tourism; Agriculture; Business guide4

from South Africa makes the keeping of those promises extremely difficult.

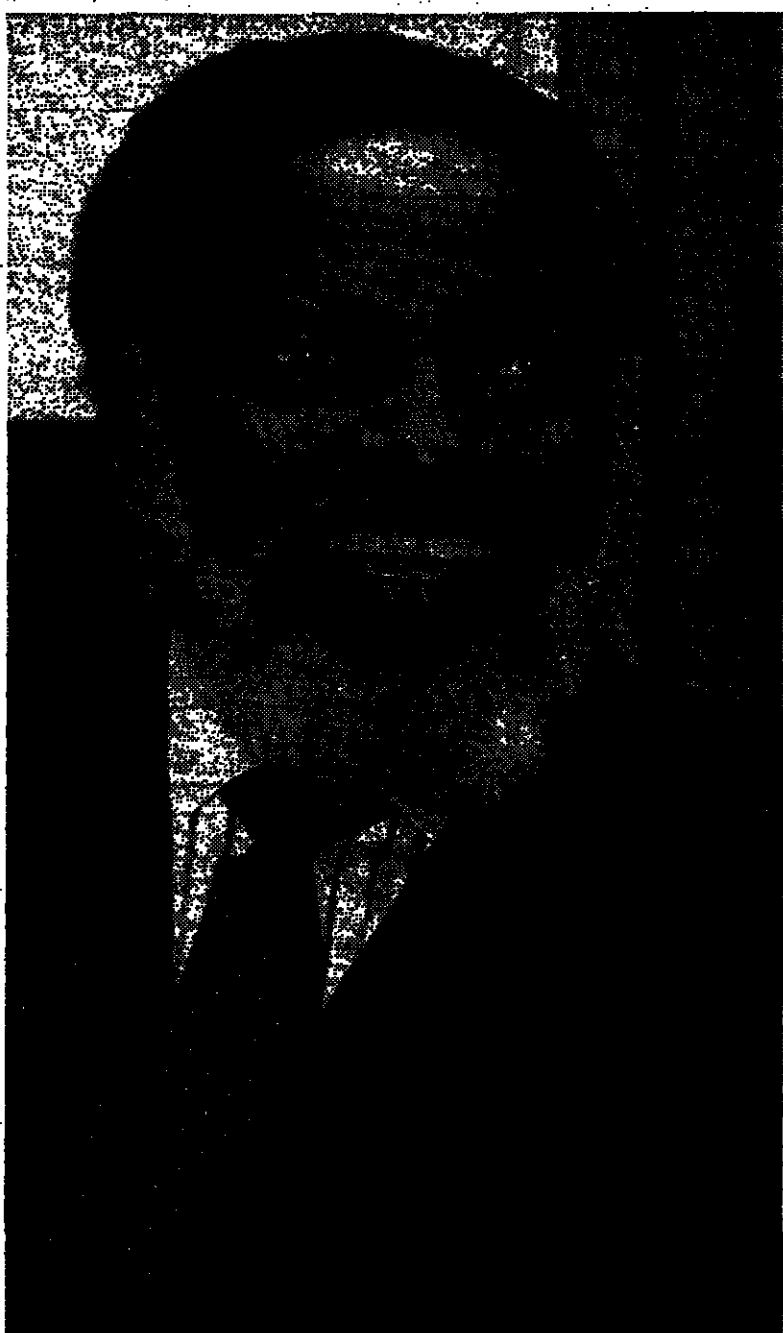
Namibia's natural resources are considerable. While most of the country is semi-desert and offers little potential for crop production, the raising of cattle and sheep have made exploitation of the land lucrative. Namibia's coastline has also offered great opportunity; its fishing grounds have been among the richest in the world. Namibia's greatest wealth, however, lies beneath the ground. Deposits of diamonds, uranium and base metals make Namibia the fifth largest mineral producer on the continent.

financial markets, in the form of profits and dividends. Export and import levels to and from South Africa are extremely high, while there is little value added in Namibia.

Although the country recorded a gross national product of \$1.42bn in 1987, giving it the third highest per capita income in Africa, its extractive and unbalanced economy makes it highly dependent on South Africa. This has been accentuated by high administrative and infrastructure costs that required heavy South African subsidisation of the Namibian budget.

Heavily dependent and now

ADVERTISEMENT



SAM NUJOMA, President of Namibia

An open letter from the President of Namibia

I welcome this opportunity to address the Business Community. I have lived for almost thirty years outside my own country and in various countries of the world. I have made many friends and I have met many businessmen. I carry with me many fond memories and many a friendship that I have made. These memories are an indispensable part of my life, my convictions, my view of the past and my hopes for the future. The influence that the International Community has had on the destiny and the formation of the Republic of Namibia and the deep impressions it has left cannot be overlooked. We will imitate what we have found to be good in other countries but we also want to become a model for others to follow.

We have set ourselves the task to construct an economy which will form the basis on which our proud nation will be built. Namibia has the human and material resources to meet the demands of our future development. Saddled with the deficiencies of the past, we will, however, never be satisfied with economic stagnation or decline. We cannot expect to make good the accumulated neglects of the past within a year or even a decade, but we will endeavour to set realistic aims in regard to the development process of the economy, to narrow the gap between rich and poor, to eliminate the misery of unemployment and to create an environment of stability and trust without which no economy can hope to thrive.

The first tasks confronting the new state are to revive our own economy, to release the pent-up available energies and to create the vigour and vitality of a free economy. To achieve these aims we will, first and foremost, expand the nation's investments in human resources to a maximum. We will equally ensure that the budget will be made an instrument of prosperity and stability. Tax incentives will be devised to encourage local savings as well as local and foreign investments and in general our policies will be directed to a maximum achievement of economic development and growth.

I am convinced that business is the partner of government, that our success is dependent on their success and their success again is dependent on ours. Far from being enemies, government and business are allies. I do not believe that there is a clash between the interests of the government and those of the business community. Each will play its proper role and the conceived partnership between the two will be based on mutual understanding and fruitful co-operation.

I pledge to the task of building a nation, of developing the country and of reconstructing the economy, all my available energies and beg of the business community maximum effort and support to help me achieve these goals.

SAM NUJOMA

NAMIBIA 2

After the euphoria of winning independence from South Africa, it's ...

Down to the basics of government

AFTER DECADES of black nationalist frustration and South African intransigence, Namibia has gone through a series of rapid political changes. In a regional context, they are no less surprising than those taking place in eastern Europe.

Little more than a year ago, the South West Africa People's Organisation (SWAPO) was a revolutionary movement, equipped with an armed Marxist leadership and a ragged guerrilla army. After nearly a quarter of a century of armed conflict, it seemed little closer to achieving its objective, Namibian independence from South African rule. Today, SWAPO is a legitimately elected political party, committed through a western-style constitution to civil liberty and democratic government.

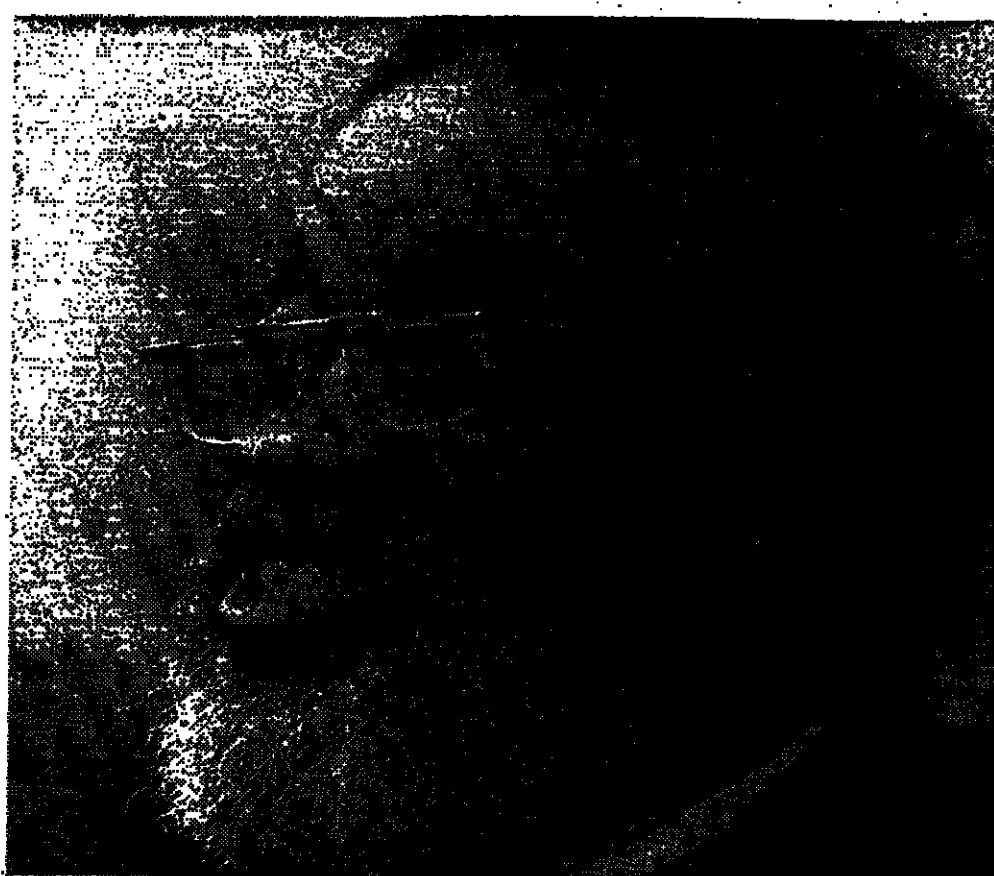
The rhetoric of left-wing ideology has been replaced by calls for domestic political reconciliation, foreign private investment, and the fostering of new ties with South Africa.

Many of these changes are due not so much to initiatives by SWAPO as to those taken by external forces. Much impetus for Namibian independence came through the efforts of the United Nations, the western powers and the Soviet Union, to establish regional stability through diplomacy.

Much resistance to independence disappeared when South Africa came to the belief that it could extricate itself from its costly war with SWAPO without damaging its security or economic prospects in the region.

But these factors have been accompanied by a rapid evolution in the political thinking of SWAPO itself. Since their return to Namibia last April, in the first step of a UN-supervised transition to independence, SWAPO leaders have had little choice but to adopt a more moderate stance.

Internationally, the failure of socialism in eastern Europe, cuts in eastern bloc aid, and Soviet diplomatic efforts to bring stability to southern Africa have forced SWAPO to look to the West. In doing so, it is confronted by strong pressures. International aid organisations, financial institutions, and bilateral donors have made it clear that vital future aid-flows depend on democratic rule.



President Sam Nujoma: his powers of political reconciliation are respected

Equally important is the presence of a relatively strong and sophisticated domestic political opposition. In last November's UN-supervised constituent assembly elections, SWAPO failed in a contest with nine other parties to achieve the two-thirds majority it required to draft a Namibian constitution unilaterally.

Contributing to a lower-than-expected vote for the party — recognised by the UN since 1973 as the "sole authentic representative" of the Namibian people — were three factors:

■ The revelation last year of the detention and torture of SWAPO dissidents;
■ The superior campaign performance of the main opposition party, the Democratic Turnhalle Alliance (DTA); and
■ SWAPO's failure to achieve majorities in many areas outside its Ovambo and power-base in northern Namibia.

With 57 per cent of the popular vote and 41 seats in a 72-seat Assembly, SWAPO was forced to sit down with other parties to write the constitution. Inclusion of principles insisted on by the UN — among them a separation of powers, a bill of rights, an independent judiciary, and presidential elections — resulted in what has been commonly cited as the best constitution in Africa.

But Africa's record of constitutional disregard is second to none. In the words of one observer, Namibia's constitution may be "too good". Like the present euphoric atmosphere of reconciliation among Namibia's many economic, political and cultural interest groups, the framework of the constitution fits poorly over Namibian reality.

Over the years and in its campaign manifesto, SWAPO has made many promises and

aroused high expectations. Social security, education, health and housing are all expected as the fruits of independence.

Unemployment is Namibia's greatest development problem, and, despite government programmes to create jobs, it will become a bigger one in the future.

Even with expected aid-flows, SWAPO's economic capacity to effect the kinds of change required will be limited. Simply balancing the current accounts budget, much less finding funds for development, is expected to be a major problem.

If expectations are not quickly brought under control, expensive programmes and ensuing economic difficulties may tempt the Government to alter or disregard constitutional law. The best guarantee against this happening, many observers believe, would be the

institution of modest, long-term development programmes.

Short of this, the best watchdog of democratic behaviour will be an active political opposition. This role will be reinforced with the planned establishment of politically contested regional councils. From these councils, representatives will be elected to a second house, the National Council, with the power to amend National Assembly legislation.

The DTA, with 21 seats, is SWAPO's biggest threat among its opposition parties. It is a largely black alliance of parties, which participated for a decade in a South African-supported "interim" government, it supports a free market and private-sector enterprise. Led by business interests, it receives strong popular support from the Herero and Nama of the east and south.

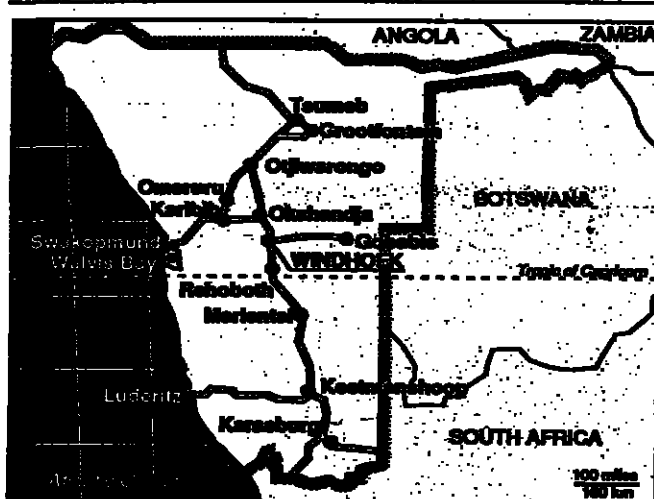
"SWAPO's programmes are too ambitious," says the DTA's acting president, Mr Mshel Mnyango. "It won't face the reality that we are a poor country. We need cautious, viable projects, not high-cost, large-scale development programmes."

Mr Mnyango believes DTA's main role in the Assembly will be to provide a focus for a united opposition, and to act as a critic of government financial policy.

While there are many divisions among opposition parties, there are also differences of opinion in the upper echelons of SWAPO. For the moment, a moderate group of technocrats holds sway under President Sam Nujoma, a leader whose powers of political reconciliation are respected, but whose capacity for economic decision-making remains to be proved.

But there is also a group of hardliners which could, if economic problems became unmanageable, come to the fore. Much depends on the initial policy choices made by SWAPO.

Nicholas Woodworth



AS A South African colony for 45 years it is no surprise that trade strongly ties Namibia to its southern neighbour. Although the overall trade balance is healthy and independence offers new opportunities, prospects for reducing dependence on South Africa — and other traditional markets and commodities are poor.

Namibia's trade statistics are rudimentary: it was not treated as a separate entity until recently. The government is keen to address this and has begun setting up a customs and excise department, not to restrict the flow of goods (which would breach South Africa customs union rules), but to collect reliable statistics.

Namibia's economy is heavily dependent on a few primary commodity exports — diamonds, uranium and other minerals and livestock — and thus vulnerable to external fluctuations. It also depends on South Africa for about 75 per cent of all imports. Goods passing through the republic raise the figure to 94 per cent.

Mining accounts for just under 65 per cent of the value of all exports. Markets for the two major commodities are as diversified as they are unlikely to be: diamond sales are controlled by De Beers and are prone to demand fluctuations, uranium — most of which goes to Japan, France and West Germany — faces global over-supply and competition from other energy sources.

Beef and mutton is exported to South Africa — much of the cattle goes out on the hoof — where distance and price are advantageous. Karakul (Persian lamb) pelts are auctioned in Frankfurt mainly for the European and increasingly the North American markets. Prices depend on fashion trends.

Despite external vulnerability, the merchandise trade surplus for last year is expected to show an improvement on the 1988 figure of R180m (80m). When Namibia's own currency and central bank are in place, this could translate into the build up of healthy foreign exchange reserves, assuming prudent fiscal management.

Independence brings the opportunity of Lomé Convention membership, an agreement that gives African, Caribbean and Pacific countries

preferential access to the EC through a quota system and import levy rebates. The government will push for a sizeable beef quota, perhaps 20,000 tonnes (about 15 per cent of output). Negotiations will be tough, and some observers believe the EC will talk to a favourable agreement on fishing rights for European fleets.

Namibia could well end up with half the quota it wants. Even so the industry believes it will be an important "foot in

Nicholas Woodworth on foreign relations

Neighbourliness is crucial to success



Theo-Ben Gurirab

relations with South Africa. This is the issue of Walvis Bay. Treated as an integral part of South Africa since 1920, it is Namibia's only deep-sea port and vital for any future trade outside the region. It also contains most of the area's on-shore fishing facilities and processing plants. Although until

For a long time Namibia will remain tied to South Africa

recently South Africa maintained that Walvis Bay was non-negotiable, it has now confirmed that it is ready to seek a settlement. Most observers believe that the territory will soon be in Namibian hands.

Independence from South Africa relieves Namibia of the constraint of international sanctions, and opens new windows on foreign economic relations. While eastern European nations have significantly reduced aid flows to Namibia (and, in addition, dropped political support for Marxist-style development), the SWAPO government will be seeking new trade, aid and investment relationships with the West.

Particularly singled out for bilateral trade and investment are West Germany, with its historical and cultural ties, and Japan, which has expressed interest in private sector fishing and mining. West Germany is also, with the Nordic countries, expected to be Namibia's biggest aid donor.

Namibia hopes that multi-lateral relations will include an agreement with the European Community under Lomé conventions for preferential import tariffs on Namibian beef and mutton. Negotiations for an export quota will be taking place shortly. Other multi-lateral relations that will be sought include membership of the World Bank and the IMF.

Regionally, Namibia will join the Organisation of African Unity, and become the tenth member of SADC, a front-line state organisation committed to reducing economic dependence on South Africa. A stronger relationship with the front-line states could help Namibia avoid being dragged into Angola's war should it spill over their common boundary.

Namibia's role in a regional search for stability has been central in the past. This role will change with independence but remain critical. What happens in Namibia will now be keenly watched by both the white leadership and the population of South Africa.

If, after years of white administration, black majority rule is seen to be successful, the De Klerk government will have a stronger mandate to proceed with its policy of negotiated settlement with the African National Congress and other black nationalist groups in South Africa. A conservative white backlash will be the price for failure.

South Africa thus has every interest in seeing that Namibia as an independent nation remains stable, democratic, and economically viable.

KEY FACTS

Area (sq km)	824,292
Population	1.4m
Real GDP (\$m)	1,004 (1975)
Real GDP growth (%)	3.0 (2.3)
Consumer price inflation	13.6% (12.2)
Merchandise exports (\$m)	320 (340)
Merchandise imports (\$m)	830 (861)
Exchange rate rand/\$	2.82 (2.20)
Currency	100 cents = 1 Rand
Principal exports in 1988 (\$m)	
Uranium and other minerals	393
Diamonds	289
Cattle	65

* Figures are for 1988 (1989 figures in brackets)



Mining... Fishing... Agriculture... Commerce... Tourism...

Stake your claim in the future of the youngest state in the world.

From one end of Namibia to the other opportunities abound, offering the true entrepreneur a rewarding challenge. If you have never considered expanding to Namibia, think again.

Namibia covers an area of 823 144 square kilometres and the wheels of commerce and industry benefit from a well developed infrastructure consisting of road, rail, airports, an airline and a modern communications network that links some 47 centres with Windhoek, the capital city and the rest of the world.

Beneath the surface, unexpected treasures await the

determined developer. Namibia is the fifth most important mining country in Africa and amongst the top 20 in the world.

Namibia's coastline offers some of the richest fishing waters in the world and combined with agriculture the fishing industry helps to form the backbone of our economy.

With little more than 1.2 million people Namibia offers you the space to give free reign to your dreams. So think again and stake your claim in the future of the youngest state in the world.



NAMIBIA:
TRADE & TOURISM

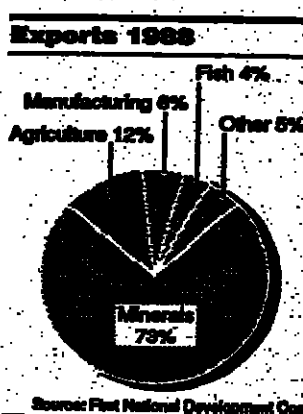
PRIVATE BAG 13297, WINDHOEK 9000, NAMIBIA. TEL: (061) 226571.

FAX: (061) 38643

1989-1990

Mike Hall discusses external trade

Exports vulnerable



Source: First National Development Corp.

the door" and there is the possibility of a tie-up with Botswana to market beef. Sheepmeat is another possible EC export but the industry says it is not pursuing a quota.

Namibia is expected to become the fifth member of the South African Customs Union (SACU) which includes South Africa, Botswana, Swaziland and Lesotho. Until now it has been a de facto member and in 1979 was arbitrarily allocated a 12 per cent share of customs receipts.

Membership terms are under negotiation. Mr Otto Herrig, the Finance Minister, says he believes Namibia is being short-changed. Receipts last year amounted to "nearly" almost doubled in the next few years. The basis for such a claim is unclear, and the issue is potentially troublesome.

Namibia will also become the tenth member of the Southern African Development and Co-ordination Conference (SADCC), set up in 1981 to reduce member states' dependence on South Africa. In theory this will open up new trade options, especially if manufacturing grows with the "possible

relocation of South Africa-based firms looking for "sanctions busting" opportunities. But this is unlikely given the present climate of political change in South Africa.

Intra-regional SADC trade is in any case small and dominated by Zimbabwe. Developing trade with southern and central Africa will also involve investment in transport routes (such as roads to neighbouring Angola and Botswana).

A key issue will be the future of Walvis Bay, a well-developed deep water port half way up the coast. Both South Africa and Namibia claim sovereignty. Most observers believe, however, that South Africa will not hinder the movement of goods and seems likely to agree eventually to hand over the territory.

Namibia's trading pattern is unlikely to change significantly over the next few years. Much depends on political relations with South Africa, and if Walvis Bay becomes Namibian it will substantially help to reduce dependence. But other countries in the region have found it difficult. Namibia will find it especially so.

NAMIBIA 3

A difficult path to economic independence

Fragile financially

TO THE world at large, Namibia is known for two things: its protracted struggle to gain political independence from South Africa, and its status as one of the wealthiest and resource-rich countries on the continent.

In the face of many problems, the political struggle has now been won. The economic challenge to manage successfully Namibia's resources remains, and may prove as difficult as independence itself.

In one sense, Namibia's reputation as a wealthy country is deserved. Diamonds, uranium, copper and other base metals have made it the fifth largest mineral producer in Africa.

Its fishing grounds have been among the richest in the world. Despite a semi-desert climate that has discouraged extensive agriculture, livestock and a tourist industry have made its land useful.

These activities contributed to a gross national product of \$1,420m in 1987, giving Namibia's 1.4m population a per capita income of \$1,023 - the third highest in Africa and more than three times the continental average. But if the economy is one of the wealthiest in Africa its colonial history has also made it one of the most extractive, unbalanced, and poorly integrated.

Namibia's economic inclusion into South Africa as a virtual fifth province has resulted in a net outflow of capital, mainly in the form of corporate profits and dividends from the mining sector - more than 60 per cent of a GDP of R2,800m was exported from the country in 1987. The manufacturing sector is marginal. Namibia exports about 90 per cent of the primary goods produced in the country, and imports 85 per cent of the items consumed.

Mining accounts for 28 per cent of GDP but employs 8 per cent of the work force. The agriculture sector employs more than half the work force but accounts for only 2 per cent of GDP. Per capita distribution of income is also highly skewed: Namibia's 80,000 whites on average earn 20 times more than blacks.



Otto Herrigel

These inequalities are accompanied by fiscal imbalances. In order to legitimise its rule in Namibia and promote internal political settlement, the South African administration in 1979 initiated large-scale programmes of infrastructural and social service development requiring a doubling of Namibia's administrative costs and heavy aid subsidies to Namibia's budget.

Over the past decade, South African aid contributed more than 20 per cent annually to government expenditure, and is a big factor in the country's GDP growth rate, an average 2.7 per cent in the past three years.

At the same time investment in productive capacity has dropped significantly. Between 1980 and 1988 fixed investment at constant prices fell in mining from R1,200m to R500m; in agriculture and fishing from R250m to R150m; in manufacturing from R150m to R100m. Total fixed investment in 1989 was two times government consumption expenditure; today it is only half. In 1989 tax revenue exceeded government consumption expenditure, today the reverse is true.

In short, Namibia has for the past decade been living beyond its means. The country's new Swapo government is thus inheriting a fragile, dependent economy and over-extended public sector financing. In its own interests, Namibia has

decided to stay within the South African Customs Union from which it now expects to receive a greater share of customs receipts - and will continue to operate in the Rand Common Monetary Area and South African Reserve Bank system for at least two years.

But given the path of economic development Namibia now proposes, its future remains precarious.

Although the government has announced its intention to develop a "mixed" economy based on both the private and public sectors, Finance Minister Otto Herrigel does not believe that local or foreign private investment is a key to development.

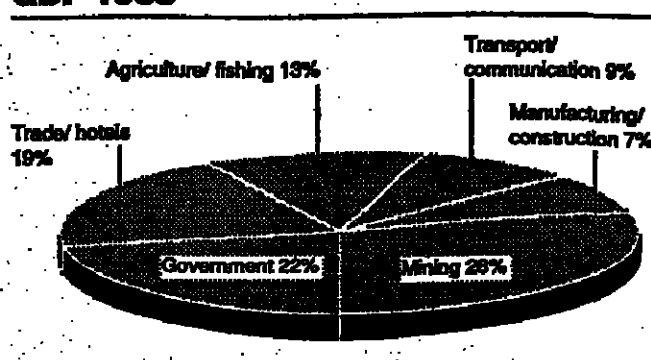
"As much as we encourage investment, it has limited applicability," he says. While Mr Herrigel promises an investment code that will create a favourable climate, he believes 100 million African countries offer incentive packages while there is nothing to invest in. The investment possibilities he sees in fishing, mining and light manufacturing, he says, "will follow development, not instigate it."

In view of its difficulties in raising capital for future development as well as finding the current account deficit, the government sees no other choice but to seek heavy financing from the international donor community.

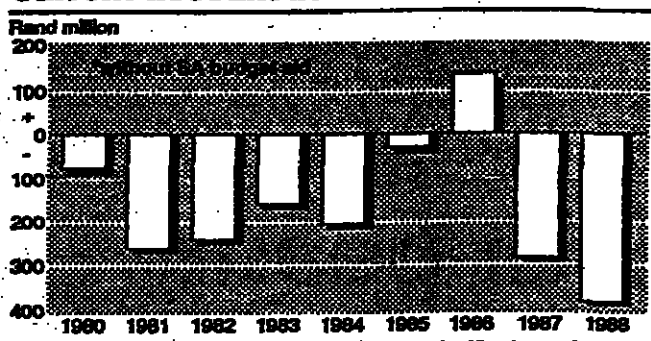
"We have been under South African influence for a long time and inherited their infrastructural problems," says Mr Herrigel. "We are justified in looking to the world for five years in helping us in a development thrust to establish an economic basis for independent Namibia. We have to create something new as soon as possible; we will be able to do so if we have the necessary aid."

The Finance Minister is seeking R500m in grant aid in the first year of his administration to balance the budget. He is also seeking the same amount annually for the next five years for development projects in agriculture, education,

GDP 1988



Current account balance



roads, water, electricity, schools and health installations. "This is our only true solution to problems of unemployment and lack of development," he says.

Mr Herrigel places greater emphasis on a problem that is political as well as economic: job creation. Namibia's unemployment rate now exceeds 30 per cent and there are few job opportunities in Namibia's over-crowded communal northern farming areas.

At the same time, however, Swapo's promises of higher living standards and greater economic opportunities have raised high expectations among the population. The Finance Minister believes job creation through agricultural development must be the country's top priority.

Such development, indicates Mr Herrigel, will be achieved through large-scale, high-tech, capital-intensive projects for the building of dams and downstream canal systems on Namibia's northern rivers. The projects will be accompanied by rural development schemes for the provision of

Foreign fleets have decimated fish stocks

Sea protection policy

THE Benguela current in the Atlantic Ocean flows towards the south-west coast of Africa causing an upwelling of nutrients that makes the sea off the coast of Namibia among the world's most fertile fishing grounds.

Most sought after are the pilchard and anchovy in shallow water, and hake and horse mackerel offshore. But a history of considerable over-fishing by South African and other foreign fishing fleets has decimated stocks.

According to the UN, the 1988 pilchard catch, the most valuable, was 1.4m tonnes; it now averages 90,000 tonnes. Until 1977, Namibia was the world's leading supplier of pilchard and some 60 per cent of South Africa's total fish landings were from Namibian waters.

Anchovy harvesting has fluctuated from a peak of 375,000 tonnes in 1978 to just 14,000 tonnes in 1984.

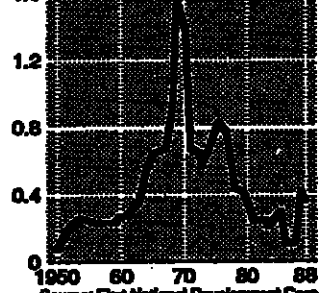
Offshore, hake catches by mainly Spanish and other West European trawlers and factory ships has shown similar decline and the average is now about half the 1972 peak of 500,000 tonnes.

Horse mackerel, favoured by East European fleets, is the only species to have increased in number.

Recent annual catches are about 4,500,000 tonnes up from about 100,000 tonnes before 1970. Experts say it has filled the ecological niche left by the considerable decline of other fish.

The legacy is fishing's small contribution to independent Namibia's economy. It remains an "enclave" focused on Walvis Bay and Luderitz.

Pelagic fish catches



Unloading fish: South Africa has dominated the sector

Walvis Bay had nine processing factories some of which have been closed down. Only one is Namibian-owned.

"The fishery sector," says a recent UN report, "...has been dominated and controlled by South African companies, has imported practically all of its inputs and exported practically all outputs."

It has employed contract workers at wage rates that have remained low even by local standards, taxes are low and profits have been transferred to the South African owners. Very little has been invested in Namibia.

Foreign offshore fleets have contributed even less. The present landed value of their catches is around \$200m. A year, a figure that could increase substantially with processing. "This income does not even touch Namibia," the UN report says.

One of the first laws the new government intends to put before the assembly is a bill proclaiming a 200-mile Exclusive Economic Zone (EEZ) for Namibia under the Law of the Sea Convention.

In the absence of internationally recognised controls South Africa regulated inshore fishing and catches offshore were regulated by the Madrid-based International Commission for the South East Atlantic Fisheries (ICSEAF).

President Namibia has appealed to ICSEAF to urge its members to halt all fishing in the 200-mile zone for the time being.

Proclaiming an EEZ will be a relatively simple step. Less

straight forward will be the development of a coherent management and development plan to ensure stocks are built up and exploited on a sustainable basis with the maximum benefits accruing to Namibia.

A first step has been the deployment of a Norwegian scientific research vessel for an independent assessment of present stocks.

The government sees the resource as one of Namibia's most important assets. Mr Gert Hanekom, the Agriculture Minister whose portfolio includes fisheries, estimates that with an effective management programme over five-seven years marine resources could earn Namibia some R20m - 10 times cattle industry earnings. "It may even surpass mining in importance."

The government, he says, has formulated a fishing policy. But details are unlikely to be made public before complex bilateral negotiations begin with foreign fleets on quotas and royalty payments. But experts say the government plans a state-run fishing corporation and believes private investment may be inappropriate.

As in other sectors of the economy, fisheries pose a big challenge to the Namibian government. It must police the 200-mile zone and negotiate complex agreements with powerful foreign interests (above all the future of Walvis Bay) and ensure that Namibia and its people benefit from sensible investments.

Mike Hall

Nicholas Woodworth assesses a mineral treasurehouse

Riches in the desert sands

IN 1883, Adolph Luderitz, a young Bremen merchant with a taste for adventure, bought a land from a Nama chief. It extended more than 300km up the coast from the mouth of the Orange River and, like all of Namibia's coastline, was a barren and windswept desert of no apparent value.

But Luderitz was not interested in the land above the ground. For him, the unclaimed territory that was shortly afterwards to become German South West Africa existed for one reason only.

"It would be lovely if the whole land were to be a single one bed," he wrote.

The country did not become one vast pit, and Luderitz did not even find the diamond wealth hidden in the sand. The rights were sold, and the diamond coast strip eventually formed the beginnings of the Oppenheimer mining empire.

But in one sense Luderitz was right. Mineral wealth became the chief reason for colonial interest, and its exploitation the basis for development. If independence was disputed by South Africa for almost half a century, it was due in large part to the desire of South African mining interests to retain control of a valuable resource.

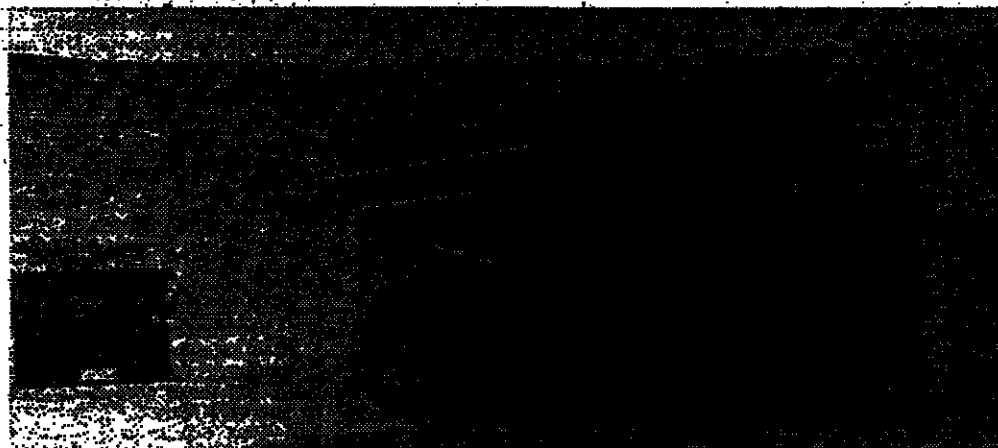
Today, mining provides 28 per cent of the value of Namibian exports, represents 28 per cent of gross domestic product, is the largest source of corporate tax revenue and the country's biggest private-sector employer.

The sector, whose export sales totalled R1.5bn in 1988, is dominated by three multi-national mining giants. Exclusive rights to diamond mining - an industry responsible for 30 per cent of Namibia's total exports - are held by Consolidated Diamond Mining (CDM), a subsidiary wholly owned by De Beers of South Africa.

The majority shareholder in the Rössing Corporation, the country's sole miner of uranium and a company claiming 25.5 per cent of total exports, is the British-based multinational RTZ. Major shareholders include Rio Algom of Canada, Total of France, Germany's Uranengesellschaft, and South Africa's IDC. Among Rössing's customers are Japan, France, and West Germany.

Copper mining, with just over 10 per cent of total exports, is undertaken by the Tsumeb Corporation Ltd (TCL), a company operating in Namibia since the turn of the century. TCL is now 50 per cent owned by Goldfields of South Africa, through Goldfields Namibia, a subsidiary created in 1988.

The relationship between black nationalist Namibians and the multi-national mining companies has, in the past, not been a happy one. As a revolu-



Uranium mine: the Rössing Corporation's reserves are expected to last until 2012

tionary socialist movement, Swapo was bitterly opposed to the exclusive foreign ownership of Namibian mineral resources and what it saw as irresponsible mining policy. Its manifesto for last November's election called for a share of control in the industry, mandatory re-investment of mining profits in the national economy, the curbing of transfer pricing, and the imposition of higher taxes.

Since becoming a government-in-waiting last November, Swapo has greatly moderated its tone, and the mood has been one of wait-and-see on both sides. The new government, for its part, will be conducting a study on the entire structure and operation of the mining sector. On the other side, mining executives have expressed relief and optimism over the generally pragmatic attitude to economic questions shown by Swapo now that they have come to power.

Much, however, remains to be worked out, and industry officials are unsure of government intentions. "The feeling we have received through informal talks with the incoming government," says Clive Cowley, public relations manager at CDM, "is that it is interested in acquiring equity and becoming a partner. What is not clear is how much equity it wants, nor whether its main interest lies in acquiring a say in running companies or in

greater government revenues." While industry officials say they welcome a closer relationship with the Government, the question of increased taxation arouses anxiety in all three mining companies. Dr Z.J. Ngaviru, who this month resigned his post as chairman of Rössing to head the National Planning Commission, advises against increased taxation for Rössing, which, like TCL, pays between 50 and 60 per cent tax on profit.

CDM's taxes are higher - up to 75 per cent on profit. "It is practically and morally impossible for boards of directors to neglect the interests of their shareholders," said Dr Beers Oppenheimer, publicly appealing to government this month in Windhoek. Mr Oppenheimer called for taxation at a "reasonable level allowing a fair return on capital," for "clearly respectable profits," and for the creation of a secure investment environment.

Even if, as seems likely, a satisfactory working relationship with the Government is established, the sector today offers little potential for growth or large new investment. While CDM is now prospecting for offshore diamond deposits, recovery rates for traditional on-shore operations have sunk from a high of 45 carats per 100 tonnes to 5.8 carats; land mining is not expected to last past the turn

of the century. Although Rössing uranium reserves are expected to last until 2012, international stockpiling and record-low world market prices have resulted in Rössing mining at about two thirds of its annual 5,000 short tonne capacity; there is little hope markets will pick up for at least four years. TCL's main copper mine at Tsumeb has only four operational years left; while other smaller copper mines are being worked, a 25 per cent drop in world market prices in the last three months indicate reduced profit margins in the future.

According to Dr Mike Bates, president of the Namibian Chamber of Mines, present potential for expansion in existing mining operations is "negligible," and the next few years will be difficult.

Prospecting investment is eagerly sought by the new government. In high-risk ventures, where potential returns are long term (these include hydro-carbon exploration and development) much depends on a new investment code now being prepared. But, whatever the shape of the new code, sector analysts doubt whether there will be major new mineral discoveries. While diamonds, uranium and base metals will remain the backbone of the economy for the foreseeable future, mining in Namibia has, in all likelihood, seen its peak years.

Nicholas Woodworth

Committed to Namibia's future prosperity.

We are committed to playing our part in the future prosperity of an independent Namibia. To this end we are currently developing two new mines in Namibia, at Auchas, near Oranjemund, and Elizabeth Bay near Luderitz at a capital cost of £52 million.

For 70 years Consolidated Diamond Mines, which employs four out of every ten workers in the country's mining industry, has provided Namibia with its greatest single source of income. More than 70% of CDM's profits are paid in the form of various taxes.

CDM's diamonds are sorted in Windhoek prior to being exported. We are training Namibians to undertake this highly skilled work.

Faced with a shortage of skills in a sparsely populated country, CDM has, for many years, been committed to the training and education of employees, from electricians and fitters to management trainees and metallurgists and from geologists to civil, chemical and electrical engineers.

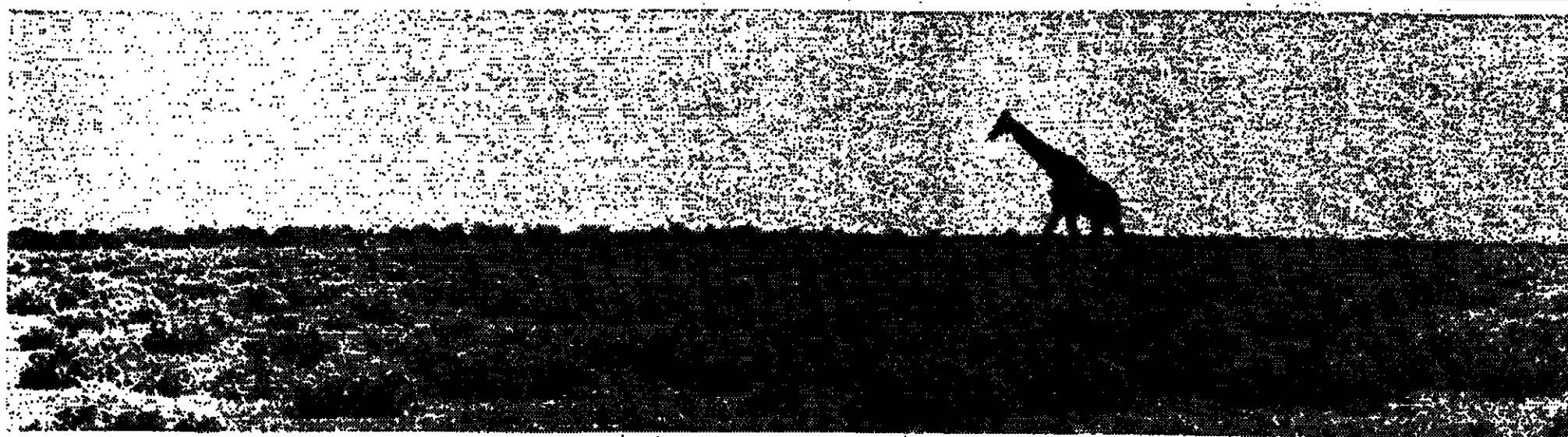
We look forward to a prosperous and peaceful future for an independent Namibia.

CDM

Mineral production*						
Mineral	1985	1986	1987	1988	Value (\$m)	% (1988)
Diamonds (carats)	939,702	1,008,800	1,037,261	974,585	280	37.5
Uranium oxide (tonnes)	2,952	4,059	3,552	4,149	205	35.6
Copper (tonnes)	47,600	51,145	57,853	42,183	103	13.8
Lead (tonnes)	38,500	40,047	40,634	44,447	28	3.7
Zinc (tonnes)	57,000	65,518	75,722	71,666	27	3.6
Silver (tonnes)	98	106	75	108	23	3.1
Tin (tonnes)	1,500	1,313	1,687	1,772	6	1.1
Gold (kg)	194	184	172	240	4	0.5
Others					8	1.1
Total					748	100.0

* Fiscal year ending March 31. * Production figures from various sources. The Atomic Energy Act prohibits publication of Namibia's production, including production from reported concentrations. Source: West German Ministry of Co-operation

NAMIBIA 4



Namibia, where the flat, salty clay earth stretches to the mirage-blurred horizon and the game roam freely. During the rains, flamingos and other waterfowl descend in abundance

"THE ANIMALS are stunning," says Mr. Jan van de Reep, who conducts tours through Etosha National Park. "I have people who come here for the first time after maybe 20 trips to East Africa, and it knocks them over. They ask why they didn't come to this jewel before."

At the turn of the century, the Germans built a small fort at Namutoni, about 400km north of Windhoek, to control the Ovambo people. In the 1950s, it was renovated and a rather tasteless concrete "rest camp", complete with swimming pool, has since been built beside it.

Namutoni is on the edge of the Etosha Pan, which was probably once a lake. Now, the flat, salty clay earth stretches to the mirage-blurred horizon. Game - including elephants, black rhino, giraffe, and an impressive array of antelope - gathers at waterholes on the pan's edge.

During the rains, flamingos and other waterfowl descend in abundance.

Namibia's political strife has,

Mike Hall views some of Africa's most spectacular landscapes

Unspoilt natural beauty

for many years, kept it largely off the tourist circuit, even for enthusiasts of Africa. Most foreign visitors are South Africans and West Germans, many of them visiting relatives, and the country's tourist potential is substantially under-exploited.

Yet it has some of the most spectacular landscapes in Africa. On the remote and desolate Skeleton Coast, beaches turn to arid plains; mountains to canyons.

The Namib desert boasts the highest sand dunes in the world. A vast open country, though with a population of only 1.4m, Namibia's greatest attraction is its unspoilt natural beauty.

Independence offers important opportunities for development, which the Government

is keen to seize. Tourism is seen as a sector that can grow quickly, with relatively little investment, and provide much-needed jobs. A comprehensive policy has yet to take shape.

But the basic thrust will be to conserve the fragile ecology (one ministry covers tourism and nature conservation), and to put the private sector at the forefront of development. High-cost, low-volume tours, with minimum disturbance, are likely to be favoured - while still ensuring that Namibians can enjoy their own country.

Mr Hanno Rumpf is the permanent secretary in the tourism ministry. "We must invest in nature conservation, otherwise growth opportunities will be limited," he says, adding

that, while the private sector should be given freedom to expand, its impact must be monitored. So far, he says, there are no major conflicts.

"Discussions are under way, with the co-operation of the private sector, to formulate a comprehensive tourism strategy to promote Namibia. The message we have been putting across already is that we have a relaxed, peaceful situation in this country."

There is no reason whatsoever for any tourist to feel there is a threat of upheaval. What is encouraging at the moment is that we have number of foreign companies interested in investing in Namibian tourism.

Applications, mainly for hotel development and casino rights, are pending, Mr Rumpf

says. Lufthansa is planning a twice-weekly direct flight from Frankfurt to Windhoek; and the Government is set to open an information office in West Germany, to boost European interest in Namibia. Although the infrastructure is excellent, compared with many other African countries, Mr Rumpf sees a need for more investment - especially in local air transport.

South Africans are likely to remain the single biggest visitors. Offices in Cape Town and Johannesburg (which also issue visas) will remain. But visitors who drive in with camper-vans, buying nothing but petrol, will be discouraged. The private sector shares the Government's confidence in the future. "I think there is going to be a tremendous

boom," says Mr van de Reep. "People who would not visit Namibia, because of the situation with South Africa, will now start coming."

There is great potential to open up new areas, but there should be small camps, thatched huts with basic necessities, so people know this is Africa.

Such fly-in camps could be set up in several areas of the north, where local culture, together with game and scenery are the attractions.

But Mr van de Reep and other tour operators stress that a tourism policy must ensure that local people are involved and receive a share of the benefits.

He is particularly excited about the possibilities of linking tours with Botswana (Okavango Delta) and Zimbabwe (Victoria Falls), and believes strongly that the attractions and increasing stability in southern Africa will begin to draw up-market visitors away from "over-crowded" destinations like Kenya.

AGRICULTURE

An ambitious agenda for more growth

FENCES SURROUND semi-arid cattle ranches on the straight road north from the capital, Windhoek. Near the town of Tsumeb, commercial farms are lush with irrigated maize, fruit trees and vegetables.

About 300km farther north, in Ovambo land, where more than half of all Namibians live, unemployed men sit beside cattle kick up a haze of dust from the parched, overgrazed land. Farmers here hardly produce enough of the staple mahango (pearl millet) to feed their families.

The inequality of Namibian agriculture is stark. About 4,000 almost exclusively white commercial farmers, mostly cattle ranches, control just under half the land. They have enjoyed heavy subsidies in the form of cheap loans from the local Landbank.

More than 800,000 black Namibians live on communal land. There has been little investment in water supplies, which has caused many people in the north to settle alongside a single 350km underground pipe that runs parallel to the main road. It brings water from the Ruacana dam in neighbouring Angola.

There have been few incentives to produce. Until recently there was no marketing structure for surplus millet (the Agronomic Board has now started buying it in some areas, to help ensure food security in Ovambo land); and the South African occupation of the north, and more recently the UN presence, has distorted the region's economy with artificial cash inflows.

Neglect is also evident from the lack of even the most basic statistics on subsistence farming, according to the UN. Astonishingly, no local sci-

tific trials have ever been officially carried out on millet varieties, even though it is the staple food grain.

Not surprisingly, the new government stresses the importance of agricultural development. "I see it as priority number one completely," says Mr Gert Hanekom, the Agriculture Minister, "for the simple reason that 70 per cent of our people depend on farming, and we have a very serious unemployment problem." It will also preoccupy aid donors.

The immediate concern is to provide jobs for those who are returning, former members of the army, Swapo's ex-fighters and the unemployed. "It is the duty of agriculture to accommodate these people," says Mr Hanekom. UN, Scandinavian and church aid has already helped many to resettle in existing communities.

But new areas in the north will also have to be opened up, to ease present land pressures as well. Unused land is available in Ovambo land and Kavango, if only water for people and livestock can be provided. Putting in boreholes or

'If they can turn the Sinal desert green, why can't we do it here?'

extending the existing piped water system will be expensive.

Initial planning work recently began in eastern Ovambo land, on the King Kau-luma scheme which could involve some 2,000 people on about 16,000 hectares; though details are still unclear. It seems millet and livestock are planned. An important factor, which could affect long-term viability, is lack of knowledge about the extent of under-



Fences surround cattle ranches on semi-arid land along the road north

ground water.

Crop production (mainly millet) will be given priority, to reduce South African maize imports, says Mr Hanekom. "Namibia should be self-sufficient in food," he believes. A production increase would follow private and state-run marketing networks, with prices guaranteed. Above all, he says, he wants subsistence farmers to commercialise, and the urban unemployed to return to the land.

The Government says it also intends to pump capital into large-scale irrigation. A dam on the Okavango river and downstream canals irrigating a variety of cash crops are proposed for communal areas in Kavango. Mr Hanekom says Israel has offered technical aid. "If they can turn the Sinal desert green, why can't we do it here?" he asks.

Such an ambitious approach worries some people. Much large-scale irrigation, they say, has proved disastrous in the developing countries: it can cause serious environmental problems and is often uneconomical.

The Government says it is aware of the hazards. "No project will be carried out without a feasibility study," says Mr Hanekom, whose portfolio includes rural development and water affairs. "We are going to try and do it sensibly."

Mr Wolfgang Lechner runs a small farm training centre in Ovambo land. "Irrigation is not the answer," he says. "Development should build on traditional agriculture. We should concentrate on making people more productive subsistence farmers first, then introduce new ideas and commercialise gradually."

He has investigated more than 50 millet varieties, one of which can more than double yields. With the church, as an extension service, it has

already gained local acceptance. "My message is this: very simple things can be done with relatively little cost for high returns."

Namibia will have to build up a proper extension service, train agronomists and establish a network for supplying inputs and buying surplus produce. Credit institutions will have to be established to help small farmers.

Commercial farmers will be left to fend for themselves. The Government has said there will be no wholesale re-expropriation of land. Many are confident about the future - though there is concern at the possible imposition of a minimum farm wage and other measures to force improved workers' living standards.

A small proportion of land will be reserved for the state for resettlement - such as farms of absentee owners or those used for hunting. The Government says compensation will be paid. It will also help prospective farmers with subsidised financing for land purchase, to help reduce inequalities in land distribution.

But the overall approach is pragmatic. An indication of this is the ministerial appointment of Mr Hanekom, a white Afrikaans-speaking chartered accountant and the only non-Swapo member of the cabinet.

Commercial agriculture is well developed. There are opportunities for growth in import substitution, adding value to exports and developing new markets. But the climate, a small domestic market and severe competition from South Africa are major constraints.

The new government has adopted an ambitious agenda. Many questions are unanswered. It will be months, at least, before a coherent strategy emerges, and several years before it can be assessed. But few Namibians doubt that success in agriculture is politically vital.

Mike Hall

Business guide for visitors

IT IS said that President Nujoma refused to believe he was looking at his own country when a local businessman last year showed him a home-made video of Windhoek before the liberation leader's return from 30 years in exile.

As the capital of a former colony that has been at war for more than two decades, Windhoek is impressive for those familiar with Africa's more rundown urban centres.

It is small but airy, modern and efficient, but also perhaps rather dull - which may not be surprising given the small population (80,000) and the conservative German/South African influence.

Namibia has a colourful multi-racial society which is especially evident on the main streets of the capital. Elsewhere in the suburbs and rural areas it will take many years for old barriers to break down.

Doing business is relatively easy in African terms. With its close ties to South Africa local and international telecommunications and other services are good. Banks, commercial and government offices are central. Just about everything is available in the shops.

Afrikaans is most commonly spoken although almost everyone also speaks English, though less so in rural areas. German is widely used among the white business community in the towns.

Windhoek is far from the main population centres which are concentrated in a narrow belt along the Angolan border. Business information: Namibia has been treated as separate from South Africa for only a few years so the information base is lacking. Trade and other statistics are often little more than good "guesstimates".

The First National Development Corporation (FNDC) is a good place to start, although its future role is uncertain. It has prepared a list of potential projects, most of them aimed at contract opportunities, rather than private investment proposals.

Foreign governments have carried out assessments of various economic sectors. The West Germans have funded a detailed series and so has the UN Development Programme, which is co-ordinating foreign aid flows. The Chamber of Commerce and Industry, Commercial Banks and the newly-established autonomous Namibia Economic Policy Research Unit (NEPREU) are other information centres.

Travel: Main air connections are with South African Airways and Namib Air to Johannesburg and Cape Town. Lufthansa is likely to begin a service to Windhoek from Frankfurt. Zambian Airways flies from Lusaka once a week and a direct flight from Harare is likely soon. Namib Air (telephone 38220, telex 657, fax 36450) runs a good domestic service (from Erros airport near city) linking the major centres.

Taxis are available, though not many. A coach service connects the international airport to the city centre 40km away and there are several international car hire firms offering excellent services. (Better deals

can be had by booking through local travel agents.)

The visa position is still unclear, but will probably be similar to other commonwealth countries in the region.

Health: Yellow fever if coming from an infected area. Malaria is not widespread. Trade/tourism information is available from the government office in Windhoek (telephone 226571, telex 487, fax 36643). There are also offices in Cape Town and Johannesburg (telephone 331-7055/6, telex 457820, fax 331-3057).

Accommodation: Inexpensive by international standards. Kalahari Sands (telephone 36900, telex 3174) in Windhoek is the largest and most up-market. Safari (telephone 36960, telex 438), Continental (telephone 37233, fax 31539), Hansa (telephone 223249, telex 2891) and Touringer Hof (telephone 226031, telex 3227) are also centrally located in Windhoek.

Restaurants: The German influence is strong. Food is excellent and inexpensive and steaks (including Kudu and Oryx) are plentiful. In Windhoek, the Central Cafe and the Kaiser Kroner are highly recommended. Gathemann's first floor terrace is good for a lunch in the sun. All are on or just off the main Kaiserstrasse. There is a Japanese restaurant for variety.

Telecoms and time: Namibia is 264, Windhoek is 061, telex code is 50-906 and local time is GMT +2.

Contacts: First National Development Corporation, Erros Bay 13352, Windhoek (telephone 366911, telex 870, fax 36643); Chamber of Commerce and Industry, PO Box 82, Windhoek (telephone 222000, telex 669, fax 36690); Registrar of Companies, PO Box 21214, Windhoek (telephone 226571); Chamber of Mines (telephone 37925).

Banks: SA Reserve Bank (telephone 226401, telex 710); The two main commercial banks are Standard (telephone 226780, telex 3079, fax 31540) and First National (telephone 226616, telex 479, fax 226504).

Diplomatic missions: Britain (telephone 223022, fax 228985), West Germany (telephone 22817/8/9, telex 463, fax 228981), South Africa (telephone 226765, telex 463, fax 224140), France (telephone 229021/2/3, telex 715), United States (telephone 229791, fax 229792), Canada (telephone 22893, telex 422, fax 224204).

Ministries: The central telephone number for the main government offices (in Tinten Palast near the city centre) is 308-9111. Be prepared: the change-over from South African administration will mean a certain amount of government office shifting.

FORTHCOMING FT SURVEYS

TWO other FT surveys this year will be on Africa. They are:

- South Africa - in June.
- Zimbabwe - in September.

Editorial synopses for the above surveys can be obtained from: The Financial Times, Number One, Southwark Bridge, London SE1 8HL. Telephone: 01 573-3377, (direct line to Helen Martin).

FINANCIAL TIMES SURVEYS

The Financial Times proposes to publish the following International Surveys

APRIL

- Egypt
- Osaka & Kansai Region
- Israel
- India

MAY

- South Korea
- International Banking
- Taiwan Trade & Industry

JUNE

- New South Wales
- South Africa
- Hong Kong
- UAE
- Holidays in India
- Brazil

For further details of these surveys please contact:
Peter Highland, Overseas Advertisement Director
Tel: (01) 573-3276 Telex: 865033 FINTIM G Fax: (01) 573-3079
Number One, Southwark Bridge, London SE1 9HL

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

Making headway

We are proud to be associated with economic development in Namibia as part of our efforts to establish a sustainable development process in Southern Africa.

We congratulate the government and people of Namibia on gaining independence and extend our best wishes for continuing progress and prosperity.

Development Bank of Southern Africa

PO Box 1234, Halfway House, South Africa, 1685
Tel: (11) 313 3911, Fax: (11) 313 3086



FINANCIAL TIMES

NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 01-873 3000 Telex: 922185 Fax: 01-407 5700

Thursday March 22 1990

Fine tuning
on taxes

MR JOHN Major, like most British chancellors this century, believes that the tax system should be used to promote good causes. In his opinion, the British public should save a larger proportion of their incomes and give more generously to charities. He has therefore announced a raft of new tax incentives for saving and giving. Other favoured causes include child care facilities and training. The use of the tax system to influence the behaviour of individuals will strike many as entirely justified. But it raises serious philosophical questions and runs counter to the thrust of tax reform in the 1980s.

Mr Nigel Lawson, at least in the early years of his chancellorship, championed the cause of fiscal neutrality. This is the doctrine that governments should not use the tax system to influence the behaviour of individuals and businesses. Fiscal concessions, the argument ran, invariably do more harm than good. They foster inefficiency by encouraging economic agents to do things that would not seem profitable in the absence of the tax breaks. They squander revenue which must be made good with higher taxes on less-favoured activities. And they are almost impossible to abolish even when the cause is no longer regarded as deserving. The right policy, argued the reformers, was to scrap tax breaks, reduce tax rates and simplify the life of taxpayers.

Broad tax base

In his early budgets, Mr Lawson tried to eliminate concessions and create a broad tax base. His first radical budget saw the scrapping of corporate investment incentives and the abolition of life assurance premium relief. He then sought to reduce the tax privileges of pension funds and rein back the incentives for home ownership. But political opposition proved too potent. The second phase of his chancellorship, Mr Lawson therefore embarked on a new strategy: that of "levelling up" tax concessions. Personal equity plans (PEPs), for example, were introduced to give individual investors a taste of the fiscal privileges long enjoyed by the big pension funds.

Sympathy for
South Korea

FIFTY SOUTH Korea, which at present can be said to be right. The government is criticised by the US for anti-competitive trading and exchange rate policies and by a vocal domestic lobby for liberalising too fast and precipitating an economic crisis.

With growth around 7 per cent, inflation stable at 5 per cent and unemployment at 2 1/2 per cent, it is a "crisis" which would do very nicely for almost any other country. Nevertheless, the extraordinary 1988-89 economic boom, during which South Korea progressed from dictatorship to democracy, from chronic deficit to decent surplus and from mountain to molehill of net debt, has faded away. Moreover, President Roh Tae Woo, in a display of jitters, has sacked his economic ministers in a move heralding more expansionary policies of the traditional export-promoting kind.

The latest US side-swipe comes from Mr Charles Dallara, an assistant US Treasury Secretary, who castigated Seoul finance ministry officials because the won has been depreciating against the dollar since the beginning of this year. He is over-reacting to a depreciation of just 2 per cent against the dollar.

The exchange rate has been at the centre of trade disputes between the two countries for several years. But in the last two years the Korean won has appreciated by 15 per cent and last year South Korea's trade surplus with the US fell by 47 per cent. South Korea can no longer be accused of not trying.

Muscular argument

South Korea's perception that it is in the throes of an economic crisis has prompted a muscular argument about economic policy. Although the country's GDP growth is one of the highest in the world, it is now running at half the rate of the preceding three years. Wage claims and settlements continue to soar; the government has raised its rice-buying price by more than 30 per cent since 1988; and in the first two months of this year the current account returned to deficit.

This is too much for the conservatives, who argue that the

Mr Major has taken the "levelling up" strategy a stage further. He has increased the deductions of PEPs, abolished the composite rate tax, substantially increased the capital gains tax threshold of married couples and, with the Tax Exempt Special Savings Account (TESSA), created a brand new incentive for unsophisticated small savers. As a result, a sizeable proportion of personal saving, especially that of low income households, is now fiscally privileged. In effect, the Expenditure Tax advocated by the Meade Committee in the late 1970s (and decided by Mr Lawson in his first budget) is being implemented by stealth.

Saving performance

It is hard to quarrel with the causes which Mr Major wishes to promote. An improvement in Britain's saving performance is badly needed if the current account deficit is to be reduced without adverse consequences for employment and growth. The voluntary sector that would not seem profitable in the absence of the tax breaks. They squander revenue which must be made good with higher taxes on less-favoured activities. And they are almost impossible to abolish even when the cause is no longer regarded as deserving. The right policy, argued the reformers, was to scrap tax breaks, reduce tax rates and simplify the life of taxpayers.

Yet there are big risks in Mr Major's approach. Showering tax relief on a few favoured causes does not constitute a strategy for all three activities. The only difference is the scale of relief envisaged. There are big risks in Mr Major's approach. Showering tax relief on a few favoured causes does not constitute a strategy for all three activities. The only difference is the scale of relief envisaged. There are big risks in Mr Major's approach. Showering tax relief on a few favoured causes does not constitute a strategy for all three activities. The only difference is the scale of relief envisaged.

There are big risks in Mr Major's approach. Showering tax relief on a few favoured causes does not constitute a strategy for all three activities. The only difference is the scale of relief envisaged. There are big risks in Mr Major's approach. Showering tax relief on a few favoured causes does not constitute a strategy for all three activities. The only difference is the scale of relief envisaged.

There are big risks in Mr Major's approach. Showering tax relief on a few favoured causes does not constitute a strategy for all three activities. The only difference is the scale of relief envisaged. There are big risks in Mr Major's approach. Showering tax relief on a few favoured causes does not constitute a strategy for all three activities. The only difference is the scale of relief envisaged.

There are big risks in Mr Major's approach. Showering tax relief on a few favoured causes does not constitute a strategy for all three activities. The only difference is the scale of relief envisaged. There are big risks in Mr Major's approach. Showering tax relief on a few favoured causes does not constitute a strategy for all three activities. The only difference is the scale of relief envisaged.

There are big risks in Mr Major's approach. Showering tax relief on a few favoured causes does not constitute a strategy for all three activities. The only difference is the scale of relief envisaged. There are big risks in Mr Major's approach. Showering tax relief on a few favoured causes does not constitute a strategy for all three activities. The only difference is the scale of relief envisaged.

There are big risks in Mr Major's approach. Showering tax relief on a few favoured causes does not constitute a strategy for all three activities. The only difference is the scale of relief envisaged. There are big risks in Mr Major's approach. Showering tax relief on a few favoured causes does not constitute a strategy for all three activities. The only difference is the scale of relief envisaged.

With another set of trade figures due at 11.30 this morning, I am too long in the tooth to stick my neck out on the immediate state of the economy or the short-term reception of the Budget. This will be covered in the Lombard column next Monday, which will incorporate my Teenager's Guide to the Trade Figures.

Unlike the most quoted City analysts, I have never advocated tax increases nor called for a so-called tough Budget. Contrary to the conventional wisdom, these would not be helpful either for short-term demand management or for improving the long-term savings balance.

If the UK Budget can be balanced over a whole economic cycle, this would be a big improvement on anything seen since Neville Chamberlain's 1931 Budget. Chamberlain as Chancellor, not his subsequent performance as a Prime Minister who disastrously tried to run his own foreign policy. It would also be an improvement on the fiscal performance of nearly all other Group of Seven countries.

The Chancellor should not be criticised for failing to introduce something that would have been neither necessary nor desirable. But unfortunately, instead of meeting his fiscal critics head on, John Major insists against the evidence that his has been the toughest Budget for 10 years, a claim with which he cannot be allowed to get away. It seems to be based on the discretionary tax changes announced in the Budget which, instead of reducing revenue, are expected to bring in an extra £2.4bn in the coming financial year. Such a yardstick not only neglects expenditure, it also does not even cover the Revenue side properly. This method of assessment should have been buried with fine-tuning.

The best starting point for assessing fiscal policy is still the overall Budget balance. This is projected to slip from the 1 per cent deficit to 1 1/2 per cent. As a result the peak spring headline increase in the RPI is likely to exceed 5 per cent.

This will be bad for inflationary expectations, and for wage pressure. But a much worse effect will be to add to the Chancellor's political difficulties if he has to raise base rates. Last October's increase to 15 per cent aroused enough of a Foulshie howl among the Tory tabloids.

Looking further ahead, there are, however, genuine fiscal worries which one does not have to be a teenage scribbler to share. If privatisation receipts are excluded, the public sector is projected to slip into a £2bn deficit in 1991-92, and into a £5bn deficit in subsequent years.

Moreover, this is to take the Red Book at face value. One knows that there have already been high level ministerial talks on much more money for local authorities to offset the effects of the ridiculous poll tax. Numerous other public sector bidders are queuing up for more and the political climate is not one to encourage too much resistance.

City economists who have worried about how the Government should dispose of a long-term surplus, and whether there were any undesirable backwash effects from

surpluses of £14bn and £10bn respectively for these two years, are now being asked to consider the 1989-90 shortfall reflects an overrun in local authority spending, an unexpectedly large take-up of personal pensions and lower privatisation receipts. Most of these factors will, according to the Red Book, go at least partially into reverse in 1990-91. Yet the surplus is not expected to recover.

I agree with the Red Book authors who say that tax rates should be set on the basis of medium to long-term considerations. But let us not pretend that a cyclically justified minor relaxation amounts to a tough Budget. It does not.

The big gamble in the Budget is one where the Chancellor has followed the analysts.

There was some discussion in this office on Budget night about what The Sun's headline would be the next morning. Observer inclined to the view that it would find Chancellor Major's statement so micro, that it would choose something entirely different for its main story.

We were nearly right. The Sun's top story, with a sidebar Budget '90, was headed "All Alone Anne Gets £14,000 Pay Rise", a reference to what it called a "bumper" increase for the Royal Princess, the woman "without a man about the house".

The Sun is the paper which some British academics - believe it or not - claim can sway the outcome of the next general election. Editorially, it is still sitting on the fence. The leading article said: "John Major gave a solid, quietly confident performance yesterday. He made a good start."

"We LIKED the guy's style."

"We LIKED some of his message."

"But he can do even better."

In leader-writing style, The Sun sometimes seems to have a sister paper in the Wall Street Journal. The Journal did not get round to giving its views on the British Budget yesterday.

There was a brief reference to it on the front page. Inside there was a story headed: "Major's UK Budget Holds to Current Course; Economy is Expected to Improve Next Year." And on the European Stocks page there was a story under the headline: "London Shares Gain 2 1/2 Points to 2259.7 As 1991 Budget Prompts Little Reaction." There was also a story about gilts.

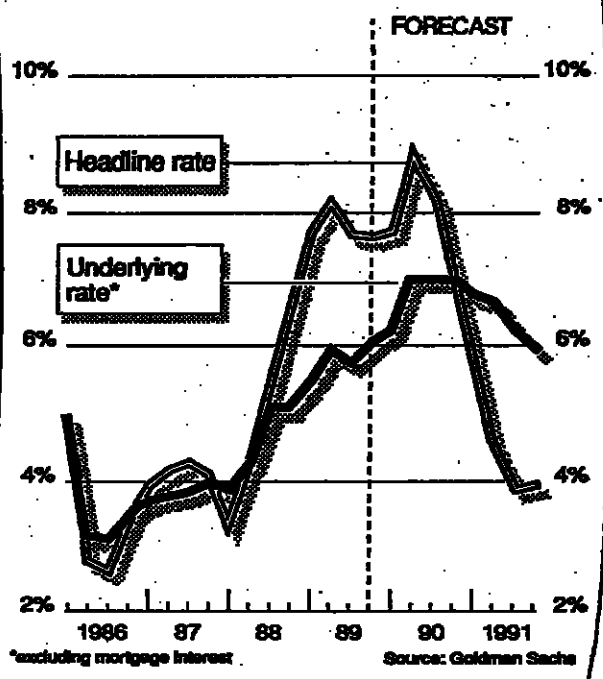
Still, the Journal did better than the Frankfurt Allgemeine Zeitung, with the emergence of the new Germany and the growing fashionableness of the German language, ought to be something of a European newspaper. The edition that

ECONOMIC VIEWPOINT

The neglect
of sterling

By Samuel Brittan

Retail Prices Index



He has increased the Excise duties by slightly more than inflation. This will be superimposed on the self-inflicted wounds of the 1 per cent rise in the headline rate. As a result the peak spring headline increase in the RPI is likely to exceed 5 per cent.

This will be bad for inflationary expectations, and for wage pressure. But a much worse effect will be to add to the Chancellor's political difficulties if he has to raise base rates. Last October's increase to 15 per cent aroused enough of a Foulshie howl among the Tory tabloids.

Looking further ahead, there are, however, genuine fiscal worries which one does not have to be a teenage scribbler to share. If privatisation receipts are excluded, the public sector is projected to slip into a £2bn deficit in 1991-92, and into a £5bn deficit in subsequent years.

Moreover, this is to take the Red Book at face value. One knows that there have already been high level ministerial talks on much more money for local authorities to offset the effects of the ridiculous poll tax. Numerous other public sector bidders are queuing up for more and the political climate is not one to encourage too much resistance.

City economists who have worried about how the Government should dispose of a long-term surplus, and whether there were any undesirable backwash effects from

surpluses of £14bn and £10bn respectively for these two years, are now being asked to consider the 1989-90 shortfall reflects an overrun in local authority spending, an unexpectedly large take-up of personal pensions and lower privatisation receipts. Most of these factors will, according to the Red Book, go at least partially into reverse in 1990-91. Yet the surplus is not expected to recover.

I agree with the Red Book authors who say that tax rates should be set on the basis of medium to long-term considerations. But let us not pretend that a cyclically justified minor relaxation amounts to a tough Budget. It does not.

The big gamble in the Budget is one where the Chancellor has followed the analysts.

There was some discussion in this office on Budget night about what The Sun's headline would be the next morning. Observer inclined to the view that it would find Chancellor Major's statement so micro, that it would choose something entirely different for its main story.

We were nearly right. The Sun's top story, with a sidebar Budget '90, was headed "All Alone Anne Gets £14,000 Pay Rise", a reference to what it called a "bumper" increase for the Royal Princess, the woman "without a man about the house".

The Sun is the paper which some British academics - believe it or not - claim can sway the outcome of the next general election. Editorially, it is still sitting on the fence. The leading article said: "John Major gave a solid, quietly confident performance yesterday. He made a good start."

"We LIKED the guy's style."

"We LIKED some of his message."

"But he can do even better."

In leader-writing style, The Sun sometimes seems to have a sister paper in the Wall Street Journal. The Journal did not get round to giving its views on the British Budget yesterday.

There was a brief reference to it on the front page. Inside there was a story headed: "Major's UK Budget Holds to Current Course; Economy is Expected to Improve Next Year." And on the European Stocks page there was a story under the headline: "London Shares Gain 2 1/2 Points to 2259.7 As 1991 Budget Prompts Little Reaction." There was also a story about gilts.

Still, the Journal did better than the Frankfurt Allgemeine Zeitung, with the emergence of the new Germany and the growing fashionableness of the German language, ought to be something of a European newspaper. The edition that

remaining one, significantly lower inflation, involves the UK. When it was first announced last summer by Nigel Lawson as part of the short-lived deal with Mrs Thatcher, it looked as if the headline inflation rate would peak at the then prevailing rate of about 8.3 per cent (which, indeed, it would have done without Mrs Thatcher's poll tax and Mr Major's Excise duty increase).

To insist further on the lower inflation condition is to risk falling into a vicious spiral whereby inflation begets depreciation, which begets further inflation so the time never looks "ripe" for membership.

To get out of this spiral, a shock to expectations is required. This shock can take the form either of a 1980 type "recession" which the Red Book shows the Government is desperately anxious to avoid, or tying sterling to the EMS anchor. The latter needs to be done soon, and frankly as a quasi-emergency measure.

A commitment to join the EMS before the election could help standing in three different ways. Firstly, the mere announcement of entry within a definite period would affect market expectations and modify the present prospect of indefinite medium-term depreciation. Base rates would then become more effective in supporting sterling.

Secondly, if the UK joined with the wide 6 per cent margin that the Italians originally enjoyed, and the Spanish still do, and near the top of the range, UK interest rates could still remain higher than Continental ones, but a horrendous gap would no longer be required to limit sterling's depreciation.

Thirdly, when the UK moved to the normal 2 1/2 per cent margin the interest rate gap would narrow further - but not close - and a firm exchange rate would become the main anti-inflationary prop.

There are several dangers in this. Firstly, the mere announcement to take Britain into the EMS after the next election. Labour still may not win; and a re-elected Mrs Thatcher would be in a strengthened position to demand fresh excuses for postponement.

Labour is likely to join at too

low a rate, which will postpone the counterinflationary benefits and risks of the move. This is especially probable if the Thatcher Government continues with its present policy of not "benign neglect of the pound".

Finally, Labour may instead of using the move to counter inflationary anchor - as the French Socialists have done since 1983 - try to employ it as a downward crawling peg to maintain a so-called competitive pound. This would be an unwise and risky move.

Of the five conditions laid down in Madrid for full EMS membership, the four which involve other countries have been practically fulfilled. The

He has not yet completed his sums, but thinks that this winter will beat the previous record-holder, 1961, which was 4.4 deg F above average. In spite of the mild spell he is warning of more rain. "This year still needs plenty more rainfall to balance out the unusually dry 1989," he said.

This was a warning of the usual equinoctial gales, which hampered Foggitt on his way to the Three Tuns, his local pub. "At least there was some body to open the door for me. At my age I may stumble in. I suppose I'm more likely to stumble out," he said.

The chief budget complaint at the Three Tuns was the 2p on a pint of beer. "No-one was worried about spirits, Foggitt is not a whisky drinker."

The wind whistled yesterday, which, according to weather lore, means it will stay that way, and quite blustery, for the next three months. Foggitt says that we have just experienced a "black-thorn winter" because the blackthorn has been out for a prolonged spell. The blackthorn is still flowering and, according to Foggitt, the weather will not settle until the last flower has died.

Holly trees provide another useful indicator. At present they have flowers and berries together demonstrating the mildness of the weather. He has picked sprigs of holly and blackthorn to take with him to Edinburgh for a television appearance. "They make good props," he said. "Only the last time I took some blackthorn on a train a young lady sat on it."

Another one

A man goes into a pub and orders a pint of best bitter. He reaches into his pocket, pulls out a small newt, places it on the bar and says: "And a scotch for my friend Tiny."

The barman fetches the drinks, pases, and says: "Tell me sir, why do you call him Tiny?" The man replies: "Because he's my newt."

Foggitt's winter

Bill Foggitt, the Thirsk weather sage, was celebrating the first day of spring yesterday in the belief that we have just had the mildest winter this century.

BOOK REVIEW

Reaganomics
revisitedTHE GROWTH
EXPERIMENT
By Lawrence B Lindsey
Basic Books, 260 pages, £21.95

Macroeconomic fine-tuning is dead; long live microeconomic fine-tuning. That, roughly, is the message of this lucid analysis of US tax policy. Lindsey, an economics professor at Harvard (currently working for the Bush administration), is a passionate advocate of low tax rates. But he also believes government should manipulate the tax system to promote "good" causes such as saving, working mothers and the voluntary sector.

Lindsey aims to do three things: defend President Reagan's economic record; provide a philosophical rationale for supply-side economics; and set out a "pro growth" fiscal strategy for the 1990s. He is not completely successful in any of these ventures. But his jargon-free and entertaining book deserves a wide readership.

As a former member of Reagan's council of economic advisers, Lindsey is anxious to prove that the tax cuts of the early 1980s did not cause the Federal Government's plunge into structural deficit. He candidly concedes that supply-side effects had excessive expectations - the tax cuts did not prove "self-financing." But he argues that the shortfall was far less serious than critics have suggested. His guestimates of what would have happened without the tax cuts are ingenious. But as they show that Keynesian effects (increased demand leading to higher tax receipts) were at least as important as supply-side effects in restricting revenue loss, they will hardly disconcert his opponents.

Between 1980 and 1987, says Lindsey, tax cuts accounted for only 21 per cent of the cumulative increase in the budget deficit. The rest of the real ink reflected higher spending. Far enough. But again the revelation is hardly embarrassing for Reagan's critics. The culprit was defence spending, which rose an astonishing 65 per cent in real terms (increases in other words were accounted for only 13 per cent of the deficit). A defence build-up of this scale clearly should have been financed by higher taxes. Had Reagan acted responsibly and, like Japan and West Germany, accepted the importance of macroeconomic stability, the US's economic prospects would be far brighter today.

Lindsey appears on stronger ground when he defends the cut in top tax rates during the 1980s. He claims the real ink computer analysis of individual taxpayer behaviour (which was not practical in earlier decades) has shown that tax rates above 40-50 per cent are counter-productive: revenue does not rise because people rearrange their affairs to escape the tax. In the 1980s, the tax barnacle swept away in the 1980s will start reappearing. Governments will rely using the tax code as a flexible tool for moulding individual behaviour and aspirations.

One can only admire the strength of Lindsey's interventionist instincts. In the key to discussing the voluntary sector, he asks: "What do I mean by generous treatment? Automatic tax deductibility for all charitable contributions simply 'does not make the grade.' No, in order to encourage budding Rockefellers and Carnegies, Lindsey proposes a double tax deduction for anybody who gives at least 5 per cent of income to charity. He also backs far more generous incentives for retirement saving than current law allows. He proposes, not to mention around \$4bn in additional tax subsidies for child care.

My guess is that Lindsey will strike a chord. Fiscal neutrality is about as appealing as the word gets. In the 1980s, the tax barnacle swept away in the 1980s will start reappearing. Governments will rely using the tax code as a flexible tool for moulding individual behaviour and aspirations.

My guess is that Lindsey will strike a chord. Fiscal neutrality is about as appealing as the word gets. In the 1980s, the tax barnacle swept away in the 1980s will start reappearing. Governments will rely using the tax code as a flexible tool for moulding individual behaviour and aspirations.

My guess is that Lindsey will strike a chord. Fiscal neutrality is about as appealing as the word gets. In the 1980s, the tax barnacle swept away in the 1980s will start reappearing. Governments will rely using the tax code as a flexible tool for moulding individual behaviour and aspirations.

My guess is that Lindsey will strike a chord. Fiscal neutrality is about as appealing as the word gets. In the 1980s, the tax barnacle swept away in the 1980s will start reappearing. Governments will rely using the tax code as a flexible tool for moulding individual behaviour and aspirations.

My guess is that Lindsey will strike a chord. Fiscal neutrality is about as appealing as the word gets. In the 1980s, the tax barnacle swept away in the 1980s will start reappearing. Governments will rely using the tax code as a flexible tool for moulding individual behaviour and aspirations.

My guess is that Lindsey will strike a chord. Fiscal neutrality is about as appealing as the word gets. In the 1980s, the tax barnacle swept away in the 1980s will start reappearing. Governments will rely using the tax code as a flexible tool for moulding individual behaviour and aspirations.

My guess is that Lindsey will strike a chord. Fiscal neutrality is about as appealing as the word gets. In the 1980s, the tax barnacle swept away in the 1980s will start reappearing. Governments will rely using the tax code as a flexible tool for moulding individual behaviour and aspirations.

My guess is that Lindsey will strike a chord. Fiscal neutrality is about as appealing as the word gets. In the 1980s, the tax barnacle swept away in the 1980s will start reappearing. Governments will rely using the tax code as a flexible tool for moulding individual behaviour and aspirations.

My guess is that Lindsey will strike a chord. Fiscal neutrality is about as appealing as the word gets. In the 1980s, the tax barnacle swept away in the 1980s will start reappearing. Governments will rely using the tax code as a flexible tool for moulding individual behaviour and aspirations.

My guess is that Lindsey will strike a chord. Fiscal neutrality is about as appealing as the word gets. In the 1980s, the tax barnacle swept away in the 1980s will start reappearing. Governments will rely using the tax code as a flexible tool for moulding individual behaviour and aspirations.

My guess is that Lindsey will strike a chord. Fiscal neutrality is about as appealing as the word gets. In the 1980s, the tax barnacle swept away in the 1980s will start reappearing. Governments will rely using the tax code as a flexible tool for moulding individual behaviour and aspirations.

My guess is that Lindsey will strike a chord. Fiscal neutrality is about as appealing as the word gets. In the 1980s, the tax barnacle swept away in the 1980s will start reappearing. Governments will rely using the tax code as a flexible tool for moulding individual behaviour and aspirations.

My guess is that Lindsey will strike a chord. Fiscal neutrality is about as appealing as the word gets. In the 1980s, the tax barnacle swept away in the 1980s will start reappearing. Governments will rely using the tax code as a flexible tool for moulding individual behaviour and aspirations.

My guess is that Lindsey will strike a chord. Fiscal neutrality is about as appealing as the word gets. In the 1980s, the tax barnacle swept away in the 1980s will start reappearing. Governments will rely using the tax code as a flexible tool for moulding individual behaviour and aspirations.

My guess is that Lindsey will strike a chord. Fiscal neutrality is about as appealing as the word gets. In the 1980s, the tax barnacle swept away in the 1980s will start reappearing. Governments will rely using the tax code as a flexible tool for moulding individual behaviour and aspirations.

My guess is that Lindsey will strike a chord. Fiscal neutrality is about as appealing as the word gets. In the 1980s, the tax barnacle swept away in the 1980s will start reappearing. Governments will rely using the tax code as a flexible tool for moulding individual behaviour and aspirations.

My guess is that Lindsey will strike a chord. Fiscal neutrality is about as appealing as the word gets. In the 1980s, the tax barnacle swept away in the 1980s will start reappearing. Governments will rely using the tax code as a flexible tool for moulding individual behaviour and aspirations.

My guess is that Lindsey will strike a chord. Fiscal neutrality is about as appealing as the word gets. In the 1980s, the tax barnacle swept away in the 1980s will start reappearing. Governments will rely using the tax code as a flexible tool for moulding individual behaviour and aspirations.

My guess is that Lindsey will strike a chord. Fiscal neutrality is about as appealing as the word gets. In the 1980s, the tax barnacle swept away in the 1980s will start reappearing. Governments will rely using the tax code as a flexible tool for moulding individual behaviour and aspirations.

My guess is that Lindsey will strike a chord. Fiscal neutrality is about as appealing as the word gets. In the 1980s, the tax barnacle swept away in the 1980s will start reappearing. Governments will rely using the tax code as a flexible tool for moulding individual behaviour and aspirations.

My guess is that Lindsey will strike a chord. Fiscal neutrality is about as appealing as the word gets. In the 1980s, the tax barnacle swept away in the 1980s will start reappearing. Governments will rely using the tax code as a flexible tool for moulding individual behaviour and aspirations.

My guess is that Lindsey will strike a chord. Fiscal neutrality is about as appealing as the word gets. In the 1980s, the tax barnacle swept away in the 1980s will start reappearing. Governments will rely using the tax code as a flexible tool for moulding individual behaviour and aspirations.

My guess is that Lindsey will strike a chord. Fiscal neutrality is about as appealing as the word gets. In the 1980s, the tax barnacle swept away in the 1980s will start reappearing. Governments will rely using the tax code as a flexible tool for moulding individual behaviour and aspirations.

My guess is that Lindsey will strike a chord. Fiscal neutrality is about as appealing as the word gets. In the 1980s, the tax barnacle swept away in the 1980s will start reappearing. Governments will rely using the tax code as a flexible tool for moulding individual behaviour and aspirations.

My guess is that Lindsey will strike a chord. Fiscal neutrality is about as appealing as the word gets. In the 1980s, the tax barnacle swept away in the 1980s will start reappearing. Governments will rely using the tax code as a flexible tool for moulding individual behaviour and aspirations.

My guess is that Lindsey will strike a chord. Fiscal neutrality is about as appealing as the word gets. In the 1980s, the tax barnacle swept away in the 1980s will start reappearing. Governments will rely using the tax code as a flexible tool for moulding individual behaviour and aspirations.

My guess is that Lindsey will strike a chord. Fiscal neutrality is about as appealing as the word gets. In the 1980s, the tax barnacle swept away in the 1980s will start reappearing. Governments will rely using the tax code as a flexible tool for moulding individual behaviour and aspirations.

My guess is that Lindsey will strike a chord. Fiscal neutrality is about as appealing as the word gets. In the 1980s, the tax barnacle swept away in the 1980s will start reappearing. Governments will rely using the tax code as a flexible tool for moulding individual behaviour and aspirations.

My guess is that Lindsey will strike a chord. Fiscal neutrality is about as appealing as the word gets. In the 1980s, the tax barnacle swept away in the 1980s will start reappearing. Governments will rely using the tax code as a flexible tool for moulding individual behaviour and aspirations.

My guess is that Lindsey will strike a chord. Fiscal neutrality is about as appealing as the word gets. In the 1980s, the tax barnacle swept away in the 1980s will start reappearing. Governments will rely using the tax code as a flexible tool for moulding

Soviet banker with revolutionary ideas

As Mikhail Gorbachev prepares to unveil radical economic reforms, Victor Geraschenko talks to Martin Wolf

"THE SOVIET people wants a central bank that will sometimes say 'no' to the Government." In words that would be music to the ears of Dr Karl Otto Pöhl, President of the Bundesbank, Mr Victor Geraschenko - appointed Chairman of the State Bank of the USSR (the Soviet Union's central bank) only last August - announces his desire to see a transformation of the historic relationship between the Government and the monetary system.

Mr Geraschenko is a former Director of the Moscow Narodny Bank in London. From his international experience, Mr Geraschenko has imbibed ideas that seem revolutionary in Westminster and Whitehall, let alone the Kremlin. Certainly, his bluntness is remarkable. He asserts, for example, that "the decision to put the price reform under the table is unforgivable." Similarly, he points out that that we cannot work out a realistic rate of exchange for the rouble.

"Our proposals for changes in interest rates cannot work without the price reform. How can a bank give loans if the enterprise is not making any profit?" Mr Geraschenko asks. Nowadays, he notes, enterprises only pay interest at about 2 per cent, "which is why enterprises have a huge stock of materials which they can then use for barter purposes." The State Bank proposes, instead, interest rates of 6 per cent on short term credit (of less than 3 months) and 9 per cent for credit of more than three years.

These proposals are already heavily criticised, so "maybe we will introduce the reform in stages. But for industrial units we will be able to introduce the new interest rate structure in the second half of this year. I hope that we will then be squeezing enterprises, who will then sell part of the idle stock they have accumulated. We must make these changes, despite all the problems. I do not think we will be able to work out a proper price

The Soviet Union is likely to go through a period of inflation that will be difficult to control

system if we are costing finance to enterprises at 2-3 per cent.

None the less, "the banking system in which the enterprise is unable to work here. For a long time the banking system was little more than a settlement house." Even with price and interest rate reforms, he argues, "I do not think we will be able to follow an ideal banking system, in which the enterprise is able to say 'no' to enterprises. The previous centralisation under the pretext of 'rational' development means that many enterprises are monopolies. They are virtual dictators." Accordingly, "we will have both administrative methods and bargaining between enterprises and the Government for a

comparatively long period of time."

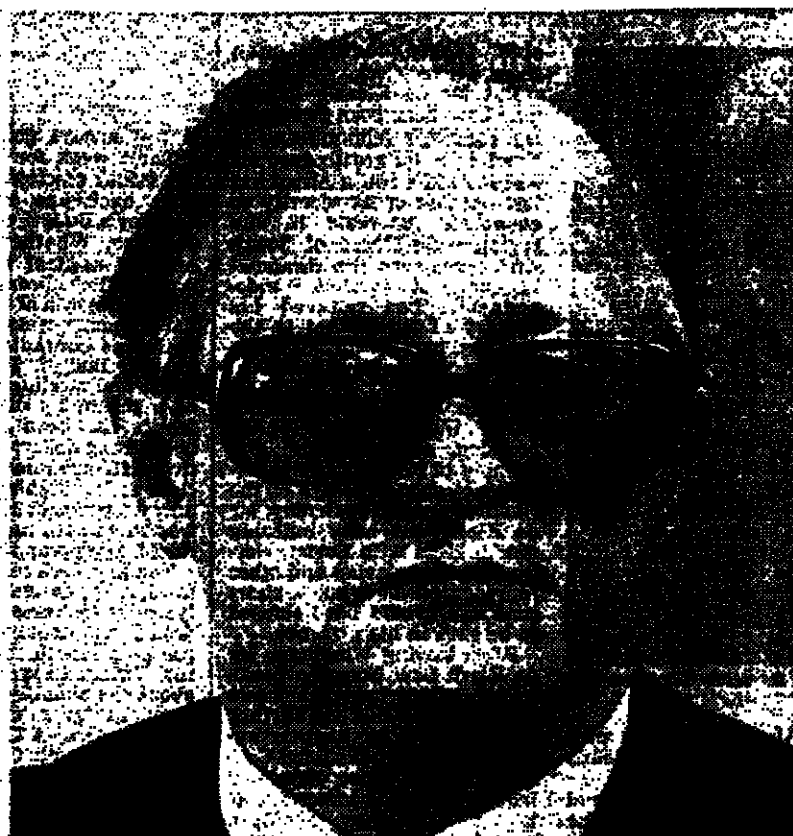
Just as there has been no real economic reform, Mr Geraschenko confirms that "we did not achieve any significant positive results with the restructuring in banking. Before this, the system was simple. The State Bank of the USSR was not only the central bank, but also the institution for short term credit in all areas. But while decentralising our economy and industry, we had the idea that we needed to form a central bank that would not be involved in day-to-day banking business, alongside new specialised banks. Nowadays, enterprises can choose their bank. This led to some kind of competition, but not a real competition in my opinion; it is artificial competition."

The current chaotic economic situation of the Soviet Union, Mr Geraschenko claims, is the result of the reforms introduced in 1987, under the belief that if enterprises were free to choose what to produce and how to satisfy market demand, everything would work perfectly. "In consequence, control over wages was lost. Thus, in 1989 payments to workers were increased by 10.9 per cent, while industrial output increased by only 1.7 per cent." The popular name for such behaviour, he notes, is "group egoism."

"Unfortunately, the tax (on wages) increased that was introduced in the autumn session of the Supreme Soviet will not work, because there are too many exceptions," Mr Geraschenko also argues that "we cannot use known methods of deflation, especially when we remember the bulk of investment is financed through the budget." Furthermore, deflation will be profoundly destructive when prices are so distorted.

"There has been a lot of discussion in the press and the Party Plenum of the necessity or desirability of monetary reform. In my opinion monetary reform will not solve the problem," Mr Geraschenko notes that three-quarters of the liquidity in the hands of the public is in Savings Bank accounts. Only 2.5m of these accounts have more than Rbl 10,000 (a little over £1,000 at the official exchange rate) and these larger accounts pose the same problem as the smaller ones in the Savings Bank. Thus monetary reform will affect the bulk of ordinary savers.

"Some people in trade unions say that a money reform would take money from the grey economy, but I do not think it would achieve that. The wealth of people engaged in the



Victor Geraschenko: aware of the opportunities for enhanced power for the State Bank within a radically reformed economic system

grey economy is in durable goods, such as objects of art and houses."

Not that Mr Geraschenko is any more enamoured of the Ministry of Finance's proposals for financing the planned fiscal deficit of Rbl 60bn in 1990. The Ministry of Finance is planning to issue Treasury Obligations in 1990 up to this amount. It proposes that the interest rate should be 5 per cent and plans to start repayment in 1992.

"Personally, I am not sure that this type of issue will work. I think the interest rate needs to be higher and that there is not enough private liquid wealth to make the purchases at what he would regard as a reasonable price. "Since 1986 we have invested more than Rbl 500bn in housing. Rents must be raised as part of the price reform, since we are still charging rents established in 1987, which do not even cover maintenance costs. Of

course we need to correct salaries, too. Then the banks should buy the housing from government and resell it to the public. A housing market will also motivate people to work."

"The question of rents recalls the political objections to price reform. 'Why is price reform difficult?' asks Mr Geraschenko. "We think the flats we get from enterprises or councils are free. But they are not free. We have now lost two years. The reason was the huge change in the electoral set up and the fear of popular criticism. But so what? Economic reform will not work without price reform. The later price reform starts, the more time we will lose."

Turning to Soviet external economic relations, Mr Geraschenko remarks that "here we have the debris of many unsolved economic problems. First of all the exchange rate is unrealistic. We have more than 2,000 different exchange co-efficients. Of course, many people in the Soviet Union say we need to make the rouble convertible tomorrow, that this will solve all our problems. But I think this is ridiculous. Who will earn the dollars?"

When we decentralised foreign trade in 1987, a big business was created among enterprises in finding things to sell to earn hard currency. But this change has had many negative features, too. Enterprises are competing with one another abroad when they are not meeting the demand of their markets; they are selling raw materials or goods that they have in their warehouses because of cheap credit from the banking system, while other enterprises are buying the same type of materials and semi-finished products.

"We need to monitor the whole situation, which is why the Bank for Foreign Economic Relations has a monopoly right to license accounts abroad or borrowing abroad. The Council of Ministers is well aware of the situation. We need to be careful and to be sure that we can repay."

"We also need to take into consideration that two-thirds of our trade is with the Comecon area." Here, Mr Geraschenko notes, the Soviet Union will want to move to world prices and hard currency settlement, but its partners will need a period of adjustment. "We cannot have a 180 per cent turnaround immediately."

Clearly, Mr Geraschenko is aware of the opportunities for enhanced power for the State Bank within a radically reformed economic system. Already, he talks like an exceptionally blunt member of the fraternity of central bankers, mixing scepticism about particularly radical proposals with belief in normal economics.

Most immediately relevant, perhaps, is his warning that the Soviet Union "is likely to go through a period of inflation that will be difficult to control." Mr Gorbachev and his advisers are now hard at work preparing a radical economic reform package, which is expected to be finalised in early May. Will Mr Geraschenko's hopes for an independent central bank and a radical reform of itself survive the reaction?

LOMBARD

Rare success for newest nation

By Michael Holman

EVERYONE deserves a pat on the back as Africa's last colony celebrates independence under a constitution that should serve as a model for the continent, be it South Africa or Zambia. Whether African leaders, western governments, and aid organisations will put into practice the lessons to be drawn from Namibia's introduction to democracy remains to be seen.

President Sam Nujoma, Namibia's first president, has been as magnanimous in victory after nearly three decades of guerrilla war, as President F.W. de Klerk was gracious in his speech formally ceding South Africa's control.

The 7,500 strong United Nations monitoring force wins praise for successfully overseeing a near-dramatic transfer of power to independence. When guerrillas of Mr Nujoma's South West Africa People's Organisation broke the ceasefire terms.

Cuba is extricating itself from the region with honour satisfied. Above all, the superpowers can treat the outcome as one of the benefits of their rapprochement, for Washington and Moscow played key roles in negotiations for Namibia's independence which had been deadlocked for a decade.

It is a rare African success story, matching the Lancaster House negotiations in 1979 which brought Rhodesia, now Zimbabwe - to independence the following year. It helps point the way to a post-apartheid South Africa, and offers hope for the resolution of other seemingly intractable conflicts in the region: in Angola and in Mozambique. But much depends on whether the lessons of Namibia are implemented.

The first step must be taken by the region's African leaders. The principles incorporated in Namibia's constitution - a multi-party system, a justiciable bill of rights, a free press, a time limit on presidential tenure (two five-year terms in Namibia's case) - should be adopted by the factions in Angola and Mozambique. As the continent's dictators that their time is running out.

only that of Botswana meets the Namibian yardstick. There is no evidence, however, that the leaders of Zambia and Zimbabwe, for example, are having second thoughts.

President Kaunda recently offered a bizarre defence of his one-party system: "We can safely say both economically and politically, perestroika and glasnost are moving those for whom this is new thinking to the very position where we in Zambia already stand today," he told his party congress.

Nor does President Robert Mugabe offer much hope to those who regret the country's move to a one party state, de facto if not de jure, and a muzzled press. The prospect of an alliance in this month's general election between members of the white electorate and Mr Mugabe's Zimliberian Unity Movement has infuriated the president. "If the whites in Zimbabwe want to rear their ugly terrorist and racist head by collaborating with ZUM, we will chop that head off," he said last week.

Although the initiative for change must come from within African states, Western donors and governments could encourage the process. So far they have not. The warning last November by the World Bank that economic recovery and what it called "good governance" in Africa had to go hand in hand, accompanied by an implicit call for the linking of aid to the establishment of representative government, seems to have gone unheeded.

Western governments and non-government organisations alike continue to treat authoritarian African regimes (with some exceptions, such as Sudan and Somalia) with a difference and diffidence that smacks of double standards when set against their stance on eastern Europe.

A change could begin with Namibia, for the country's own sake and because its success or failure could have far-reaching implications for South Africa. Make clear to Africa's young, post-independence state that its independence is linked to upholding its model constitution. And serve notice on the continent's dictators that their time is running out.

LETTERS

Finding a better way than the poll tax

From Professor F.J. Jones

Sir, The most satisfactory local tax would be one which does not discourage industry while being sufficiently onerous to remind the citizen of his civic responsibilities. Otherwise local authorities will inevitably become profligate.

The rates were condemned partly because they were paid only by a third of the population, and partly because they amounted to a regressive tax, discouraging improvements while rewarding dilapidation. Even by welfare standards they proved unjust, because pensioners and widows paid as much as families with two or more wage-earners.

Poll tax at least ensures that all adults face up to their public responsibilities and it should in time produce a backlash to curb town-hall profligacy. Any safety net for the poor should be financed by a central government and local authorities should be debarred from dabbling in extra welfare.

The Labour Party's so-called roof tax reverts to the former rating-system while simultaneously restricting a second tier of welfare through a progressive local income tax. Such a scheme would not only discourage initiative but would

also remove all sanctions against municipal profligacy. The most satisfactory local tax system is the one advocated by the former Liberals. It was called site-value rating and its aim was to derate buildings while levying a tax based on the annual economic rent of land.

It has all the virtues and none of the vices of the rating system. It is self-limiting because it is based on economic rents, not on the arbitrarily calculated rents of the earlier system. It is impossible to avoid and it encourages initiative because it is intended to fall with equal severity on developed and undeveloped land, thereby forcing unused land on to the market.

A subsidiary effect is to alleviate unemployment, especially in the building trade, by removing a major barrier to development - the chronic shortage of land.

Its one defect is that only landowners are rated, but since land values are created by the community and not by individuals it is not unjust that land should bear the burden of local taxation.

Frederic J. Jones,
Department of Italian Studies,
University College, Cardiff

Pressures on the ECGD

From Mr Campbell Dunford

Sir, Members of my committee are now concerned at indications that the Export Group's ability to fulfil its function is being undermined by excessive pressures to fulfil commercial criteria which are not always appropriate to its operations. We also note that the Bank of England's new policy on country debt provisioning (the matrix) will affect the bank's ability to support ECGD facilities with commercial loans and place them at a competitive disadvantage with foreign banks not constrained by the matrix. For the exporter, these developments would combine to create prohibitively expensive ECGD cover.

To win project contracts, UK exporters need government support. Such contracts are crucial at a time when we are running the worst balance of payments deficit on record.

Campbell Dunford,
Chairman,
Export Finance Committee,
London Chamber of Commerce,
69 Cannon Street, EC4

Water: pay now drink later

From Mr Douglas Mann

Sir, My water rate is payable in advance. I should like some principle not to be applied to gas and electricity.

Douglas Mann,
20 South Road,
Hythe, Kent

In advance for water that I might not drink. I should like some principle not to be applied to gas and electricity.

A consultation, not a collision, course for the Community's rules

From Mr Nico Wegter

Sir, In his article "Community rules on a collision course," February 29 Professor Messerlin deals with the supposedly potent effects of anti-dumping measures on the tendency of firms to form cartels and mergers which limit competition.

With the exception of PVC and LDPE, no anti-dumping cases overlapped with any of the approximately 250 competition law decisions taken between 1980 and 1988. The "almost one fourth" of "twisted" anti-cartel and anti-dumping cases cited by Professor Messerlin clearly derive from his personal arithmetic. This also served to credit European Community producers of PVC/LDPE with profits purportedly created by anti-dumping proceedings. The texts of the regulations show that proceedings were terminated by the acceptance of undertakings from the affected exporters - all from

eastern bloc countries - and not by the imposition of definitive anti-dumping duties.

To speak of annual additional corporate revenues of Ecu 884m due to the anti-dumping measures is quite wrong.

Professor Messerlin suggests provocatively that foreign exporters controlled by Community companies benefit from immunity in anti-dumping proceedings. He cites one out of well over 300 such proceedings where synthetic fibres from the US were involved and where two US producers which had been taken over by Community producers were exempted from the imposition of anti-dumping duties on the grounds that they manufactured speciality products. But all seven US producers in this proceeding were exempted for the same reasons.

The existence of potential overlapping between Community anti-dumping and competition rules is well known to all specialist practitioners and to

the European Commission. It is obvious that consultation between the responsible services of the Commission takes place whenever doubts concerning the application of competition law in the Community's internal market arise in connection with anti-dumping proceedings.

However, a distinction has to be drawn. In anti-dumping investigations only the established factual situation in the market is normally relevant to the decision made, while even a proven attempt to set up an illegitimate form of market organisation by means of existing cartels or collusive behaviour may have consequences in competition law.

Nico Wegter,
External Relations Spokesman,
The European Commission,
Brussels

From Mr Izet M. Sinan
Sir, I support Professor Messerlin and Jeremy Lever

"Community rules," February 29 and Letters, March 5. Experience has shown that the European Commission's left hand sometimes does not know what its right is doing, and even when it does, it is powerless to take the appropriate measures.

It is not uncommon to see the Directorate-General for Competition (DG IV) pursuing certain sectors of EC industry for anti-competitive behaviour, while the Directorate-General for External Relations (DG II) assists such restrictive practices by preventing competition from third countries through the use of the EC's anti-dumping rules.

Although the two Directorates-General should in theory co-ordinate their activities, in many instances one gets the impression that communication is less than perfect.

Izet M. Sinan,
3 Verulam Buildings,
Gray's Inn, WC1

Race Ahead With The World's Fastest i486/25 Computer.

When it's blazing speed that you need, the AST Premium® 486/25 is the only sensible choice. Its Industry Landmark rating of 114[®] makes the AST Premium 486/25 the world's fastest computer based on Intel®'s latest and greatest B6 version of its i486™ chip. In fact, it's more than twice as fast as a typical 33 MHz, 386™ system. Or, if you're still using an IBM® AT®, it's about 50 times faster. And that's equal to 15 MIPS.

Of course, ultimate speed is not the only reason industry experts praise the AST Premium 486/25 and other AST systems. AST also provides innovative features like our revolutionary Cupid-32™ technology. Included on all AST Premium Cupid-32 systems, it allows you to upgrade your AST computer to faster processing by merely replacing one board with another - the whole process takes a matter of minutes. So, when 33 MHz, 486 performance, or other advanced technology is ready, you'll be able to take advantage of it immediately.

And for name-brand quality, service and value, AST is a brand that's hard to top. We've built our worldwide reputation on uncompromising compatibility, consistent reliability and by continually responding to our customers with timely, high-performance solutions.

For the best performance and value, people who know computers ask for AST. For your complimentary video about AST call the AST Information Service on 0923 210490.

AST Premium 486/25 Key Features

- 25 MHz i486 Microprocessor
- Integrated Numeric Coprocessor
- Cupid-32 Architecture
- ISA (EISA Upgradeable)
- CSA, TUV and UL Approved
- Meets FCC Class A, VDE Class B

AST COMPUTERS
The No. 1 Alternative

AST machines produced worldwide - Corporate Headquarters: 18255 Alton Parkway, Irvine, CA 92715 (714) 727-9292; In Europe and the Middle East: 1500 Gifford Road, Basingstoke, Hampshire RG24 0BA (UK) (0256) 453333; In Australia: 2500-2506, AST is a supplier to U.S. government agencies, General Service Contract number GSOAC85041A.

This announcement appears as a matter of record only.



Cilva Holdings PLC

a consortium composed of

Lease International S.A.
General Motors Corporation

and

Avis Inc.

has acquired

Avis Europe plc

The undersigned acted as financial partner of

Lease International S.A.

Generale Bank

March 1990.

This announcement appears as a matter of record only.

December 1989

£67,514,400

28,131 Package Units
conveying the right to receive ordinary shares

Anglian Water Plc
Northumbrian Water Group Plc
North West Water Group Plc
Severn Trent Plc
Southern Water Plc
South West Water Plc
Thames Water Plc
Welsh Water Plc
Wessex Water Plc
Yorkshire Water Plc

The undersigned arranged the private placement with US institutional investors of ordinary shares in Package Units as part of the privatisation of the Water Industry of England and Wales.

Salomon Brothers Inc Shearson Lehman Hutton Inc.

November, 30, 1989

We are pleased to announce the incorporation of

TEB EKONOMİ ARAŞTIRMALARI A.Ş.

A Turkish Company registered
with the
U.S. Securities and Exchange Commission
as an Investment Advisor
dedicated primarily to providing research on
the Turkish Securities Market.

Address:
Cumhuriyet Cad. 18/4
Etiler 80230 Istanbul/TURKEY
Telephone: (1) 134 43 93
Telefax: (1) 131 35 65

INTERNATIONAL COMPANIES AND FINANCE

BTR comes under fire in Massachusetts

Karen Zagor surveys hostility to the British company's bid for Worcester's Norton

When a protester set fire to an American flag last year, the Supreme Court ruling on free speech. But there was no audible outrage on Monday when a Union Jack was burned in Worcester, Massachusetts, to protest BTR's proposed \$1.64bn takeover of Norton Company.

The British industrial conglomerate's unpopularity in Worcester was spelled out in the banners carried by the 3,000-strong crowd in front of City Hall, which proclaimed: "Boston Tea Party II," "Ban the Brits," "No Bloody Way" and "Baseball, Motherhood and Apple Pie. To Hell with Tea and Cricket."

According to a columnist for the local Telegram and Gazette newspaper, "There hasn't been as much anti-British sentiment in these parts since Isaiah Thomas was printing anti-English missives during the Revolutionary War."

The virulence of this reaction is partly attributable to pure xenophobia, triggered by increasing foreign investment in the US. "Other foreign takeovers have left a bad taste," said Mr Jordan Levy, Worcester's Mayor.

But BTR's handling of other US acquisitions — particularly its \$45m purchase in 1978 of Worcester Controls, another local company — has contributed to the fears of the Worcester community.

The main point of contention is the decision to move Worcester Controls' manufacturing plant from the Worcester area to Mississippi in 1986. Worcester Controls' local management takes credit for the decision to move operations away from

the expensive north-east to the south, where wages and expenses are lower.

Despite assurances to the contrary, Norton workers are worried that under BTR's control, the company will similarly be pressured to improve margins by cutting labour costs — a process which could, they say, lead to the closing of the Worcester plant.

The recent shutdown of another BTR acquisition in Chicago, when manufacturing was moved to Mexico, is seen as further evidence that Norton's days in Worcester might be numbered under the British conglomerate.

BTR, for its part, has stated that it has no plans to close any of Norton's manufacturing facilities "in Massachusetts or elsewhere," and promised that the group's corporate headquarters would remain in Worcester.

Norton was founded in Worcester in 1885 and has always been under local management. The company gives sizeable contributions to local charities, sponsors school and arts programmes and helps city government by lending its expertise to help with computer training or financial investments. The city's biggest employer, with a workforce of nearly 3,500, it ranks 264 in the Fortune list of the 500 largest US industrial corporations with sales of \$1.41bn.

Norton is an excellent company, an industry leader with major market share in all of its businesses," according to Mr Eli Lustgarten, vice president at PaineWebber.

Analysts have seen Norton as a vulnerable takeover target for some time. "Norton is a



Credit A protester burns the Union Jack during a Norton rally

good company with good returns, excess cash-flow and cheap stock," said Mr James Ruf, a special situations analyst at Wertheim Schroder in New York. The company has been largely ignored on Wall Street, in part because its businesses, which include bonded and coated abrasives, superabrasives, advanced ceramics,

performance plastics and chemical process products, are not deemed exciting.

Furthermore, Norton has no direct competitor with whom to compare its performance. While BTR believes that Norton's overall profit margins can be quickly improved, the company's margins for sandpaper, for example, where it com-

petes directly with Minnesota Mining & Manufacturing (3M), are better than the margins for the company as a whole, according to Mr Lustgarten. "BTR is correct in its assessment that the operating margins of Norton could be meaningfully improved," said Mr Ruf.

Analysts have expressed disappointment with the company's fourth-quarter results, when income from continuing operations dropped 31 per cent from \$13.4m to \$9.2m. Although the decline was partly attributed to unusual expenses and a softening in demand for higher margin abrasive products, the operating environment was not hostile enough to warrant the fall in earnings, they believe.

Norton stands to make a big profit from the \$60m sale of its Eastman Christiansen oil-field services subsidiary, to Baker Hughes. Only six months before the proposed sale was announced, Norton bought back a 50 per cent stake in the company for only \$115m. The move has been viewed positively by BTR, which has made several disposals of its own in oil-field services recently.

"If we were to lose Norton, I hate to think of the impact it would have," said Mr Lustgarten. "One entire sector of the city is the Norton manufacturing plant."

Mr Levy met with BTR's chief executive, Mr John Cahill, on Monday. According to Mr Levy, the meeting was "congenial," but he has not been convinced that a BTR takeover would be in the best interests of the community.

Japanese may pull out of Boeing 767X programme

By Paul Belts and Paul Abrahams

NEGOTIATIONS between Boeing and three leading Japanese groups to take a 25 per cent equity stake in the US aircraft manufacturer's programme to develop a new wide-body twin-engine airliner have reached a critical stage with growing signs that the Japanese may not participate as risk sharing equity partners in the \$4bn project.

Boeing has been negotiating for the past five months with Mitsubishi Heavy Industries, Kawasaki Heavy Industries and Fuji Heavy Industries to invest in the 767X to spread the financial risks of launching the new 350-seat twin-engine group in the growing market for 350-375 seat medium-to-long range wide-body aircraft.

Boeing confirmed yesterday there was a strong risk the Japanese may not participate as equity partners in the 767X programme, although talks were continuing.

Mitsubishi confirmed in London this week that discussions were continuing between Boeing and Japanese companies.

Boeing has also indicated it would look for alternative risk-sharing partners if it failed to secure a deal with the Japanese. Airtails, the Italian

state aerospace group, is one possible candidate since it is already a partner, like the three Japanese companies, in Boeing's 747-300 engine aircraft programme.

Boeing claims it could finance the programme, which would become known as the 777 once officially launched, even if the Japanese did not contribute 25 per cent of the development costs.

Nonetheless, failure to secure Japanese financial participation in the 767X would be a blow for Boeing, which is already lagging behind the European Airbus consortium and the US McDonnell Douglas group in the growing market for 350-375 seat medium-to-long range wide-body aircraft.

Boeing has been involved in intense talks with potential customers over its new aircraft programme. The airline industry and Boeing has had to delay the launch of the new aircraft.

Boeing has come under political pressure over its ties with Japanese manufacturing groups. There has been concern over the US giving Japan too much access to US aerospace technology when Japan is seeking to become a major player in aerospace.

Bronfman brothers may restructure investments

By Robert Gibbens in Montreal

EDPER Enterprises, the main investment holding company of Peter and Edward Bronfman, the Canadian entrepreneurs, is considering restructuring some of its holdings to improve shareholder values.

Edper controls Brascan, the financial services, resources and consumer goods group, a clutch of companies including some in manufacturing and real estate through Hess Holdings. Only 5 per cent of Edper's stock is publicly held, following a \$110m (US\$83.3m) equity issue last year at C\$27.5 a share. However the stocks have been languishing at around C\$24 in the market this year.

Mr Trevor Eytan, Edper president, has estimated that Edper was worth at least C\$88 a share, based on present market value of the securities owned. He has for some time complained of an excessive market discount on the shares of Brascan and the other holding companies.

The restructuring may affect minority holders of two mining companies, Western Resources and Brascade, and the Great Lakes Group, which may be asked to exchange their shares for cash or shares in other Edper companies. The aim would be to simplify the group and ensure realistic market valuations of assets.

Edper has reported C\$26.4m or 64 cents a share in earnings for the first quarter ended February 28, up 72 per cent from a year earlier. The group has already been through one round of restructuring in the past year.

USX attacks proposed spin-off

By Anatole Kaletsky in New York

USX, the Pittsburgh-based energy and steel group, yesterday attacked the break-up plan presented to its shareholders by Mr Carl Icahn, the corporate raider and takeover specialist who owns 13.5 per cent of the company's equity.

Under Mr Icahn's plan, which will be put to the vote at the company's annual meeting on May 7, the steel and energy businesses would be divided, reversing the diversification pursued by USX management since the late 1970s.

US Steel, America's biggest steelmaker and the company which had dominated the US industrial sector for much of the past century, would be spun off into a separate corporate entity, leaving USX to concentrate on its oil and natural gas activities.

In the proxy statement sent to shareholders yesterday, the USX board condemned this proposal as "unnecessary and unwelcome." The Icahn plan was "a simplistic response to a complicated issue," USX said, adding that it would raise significant tax, legal and financial issues.

The board strongly urged shareholders to vote against Mr Icahn, although USX noted that his resolution was non-binding and therefore the board would not be legally obliged to follow the results of the vote.

The board's main objection to the Icahn plan was the original argument for diversification into the energy business. The energy and steel industries could continue to complement one another, offsetting cyclical variations and increasing the group's financial strength.

"The combined financial strength of the corporation's two major businesses enhances its borrowing power and flexibility and also its ability to resist business downturns and disruptions that could adversely affect a single business," the board said.

In addition, USX executives have argued that the \$900m of tax losses still carried in the steel business could continue to shelter profits from the

energy business for several years to come.

However, the USX proxy statement did not specifically mention this argument. It merely noted that Mr Icahn's proposal would limit the board's options for maximizing shareholder values and after-tax profits.

Such a specific recommendation could undermine the board's efforts to find alternatives which would be more advantageous for the company's shareholders, USX said.

● Mobil, the US oil company, plans to invest more than \$300m to modernise and expand its refinery in Beaumont, Texas, Reuters reports. The plans include upgrading the facility to process various grades of crude oil into premium fuels and other high-value products.

Mobil said the project will expand the largest of its five US refineries to process 325,000 barrels of crude a day, from 285,000 barrels a day. The project will also expand its distillation unit.

This announcement appears as a matter of record only

March 1990

£20,000,000

Management Buy-out

Alexander Drew & Sons

Arranged and negotiated by

Morgan Grenfell Development Capital Limited

Equity underwritten by

Morgan Grenfell Development Capital Limited

Other equity investors

Charterhouse Development Capital Limited
Deutsche Beteiligungsgesellschaft mbH
Murray Ventures PLC
Ventures North West
Phildrew Ventures

Bank finance provided by

Bank of Scotland

MORGAN GRENFELL

Morgan Grenfell Development Capital Limited is a member of UMRO

the Leeds

LEEDS PERMANENT BUILDING SOCIETY
(Incorporated in England under the Building Societies Act 1986)

Issue of up to an aggregate of
£200,000,000

Senior Variable Rate Notes Due 1994

and
Subordinated Variable Rate Notes
with a maturity of 12 years

Notice is hereby given that for the three months interest period from March 21, 1990 to June 21, 1990 (92 days) the Senior Notes and Subordinated Notes will carry interest rates of 15% and 15.80% respectively. The interest payable on June 21, 1990 for the Senior Notes will be £293.84 and for the Subordinated Notes £296.25.

By: The Chase Manhattan Bank, N.A.
London, Principal Paying Agent

March 22, 1990



INTERNATIONAL COMPANIES AND FINANCE

RVI falls 9% to FF930m

By William Dawkins and Kevin Done in Paris

RENAULT Vehicules Industriels (RVI) Europe's third largest truck maker, yesterday reported a 9 per cent decline in last year's net profits, to FF930m (£168m), well below the FF1.5bn RVI had been predicting as recently as last autumn.

The company has been hit by heavier than expected losses in both its US and British operations. Mr Jean-Pierre Capron, who took over as chairman and chief executive last autumn, said that in spite of these problems, RVI was still the only truck maker to record an increase in both sales and margins in its European operations, thanks to a buoyant continental European market and the benefits of further job reductions.

Turnover at RVI, a subsidiary of the state-owned Renault car group, which recently announced an alliance with Volvo, the Swedish car and truck maker, rose 1.3 per cent to FF24.3bn last year. Net profits slipped from just over FF1.5bn to FF930m.

European truck demand would slacken this year, leading to virtually unchanged group profits for 1990, Mr Capron forecast. Losses would diminish in the US and Britain, but continental European profits would fall. Demand in the UK truck market has plunged in recent months and new orders in France and Spain

were currently running at around 10 per cent below the level of a year ago, he said.

Mack Trucks, the 45 per cent owned US division, swung from a \$1.8m profit in 1988 to a \$185.4m loss, reflecting the mishandled launch of a new range of trucks and mismanagement as well as the sharp downturn in the US market.

Renault Truck Industries, the British subsidiary seen as the weak link in RVI's otherwise healthy European businesses, saw its losses surge from the previous year's £1.5m (£1.4m) to around £7m net, not including restructuring costs taken on by the RVI group and conversion of some debt into equity.

RVI and Volvo were meanwhile discussing the possibility of sharing research activities, said Mr Capron. Their combined research capabilities would match those of Daimler-Benz, Europe's biggest truck maker.

RVI's European sales rose from FF21.5bn to FF22.2bn, a 3 per cent increase, while the region's net profits jumped 51 per cent from FF1.3bn to FF2.0bn. Operating margins in Europe rose from the previous year's 6 per cent of turnover to 10 per cent. Meanwhile, RVI's share of the European market for trucks above 5 tonnes fell slightly to 12 per cent from 12.3 per cent a year previously.

Nixdorf chief sees cut in losses for 1990

By Andrew Fisher in Frankfurt

NIXDORF, the troubled West German computer company which is being acquired by competitor Siemens, expects its losses to fall sharply in 1990, having just been through a year which Mr Horst Nasko, the chief executive, described as "by far the most difficult" in its history.

Mr Nasko said turnover fell by 2 per cent to DM5.25bn (£2.9bn) in 1989, down on forecasts of about DM5.6bn, which would have been a 6 per cent rise. "The reason for this was the severe changes in the data processing market, especially in the segments where Nixdorf is active."

He did not say how large Nixdorf's losses were last year. For the first nine months, the company reported a pre-tax loss of DM465m. Industry estimates of the full loss have ranged between DM600m and DM1bn, including heavy restructuring costs.

Mr Nasko said the usual second-half improvement in business did not occur, so turnover growth of the first six months could not be sustained.

Domestic sales for the full year were down 7 per cent, while foreign sales rose by 4 per cent. The order backlog fell by 15 per cent. Uncertainty about Nixdorf's future hit business badly in the fourth quarter, he added.

Nixdorf ran into problems about two years ago. It has tried to cut operating costs, but incurred high research and development expenses as it changed direction.

Klockner-Werke to pay dividend

KLOCKNER-WERKE, the West German steel company, posted a gross net profit of DM15.4m (£9.1m) in the year ended September 30, after breaking even a year earlier, AP-DJ reports.

Group sales rose 15 per cent to DM7.2bn from DM6.1bn a year earlier. The company repeated its plan to pay a dividend for fiscal 1990 for the first time in more than a decade.

Building empires prepare to raise the roof

Peter Bruce on a bitter battle between Spain's two large construction companies

Construction companies compared

Cubiertas y MZOV		Ferrovial	
1988	Pesos/billion	1988	Pesos/billion
Sales	98.42	Sales	50.84
Operating profit	2.27	Operating profit	1.73
Pre-tax profit	1.32	Pre-tax profit	3.00
Net income	1.18	Net income	3.00
Dividends	0.43	Dividends	0.60

Source: Research Associates

ing for this fight. Indeed, the takeover has all the promise of a massive Spanish power play - for Cubiertas is not without friends.

The target has hired Bankers Trust and Goldman Sachs to mount a defence, which will probably involve making a counterbid if the Spanish stock market commission allows the Ferrovial bid to run. About 39 per cent of Cubiertas is openly quoted on the stock markets in Spain.

Most of the rest, apart from Ferrovial's hostile stake, is held by Entrecanales, another large and secretive constructor with 13.2 per cent, Banco Pastor, the Galician based bank with 6.2 per cent, and the Messa family (just over 3 per cent) and workers, who have about 6 per cent.

Mr Guillermo de la Dehesa, president of Banco Pastor and

until recently deputy finance minister, and Mr Eduardo Serra, Cubiertas' vice president and, also until recently deputy to the Minister of Defence, will be key players in the defence.

One of the Entrecanales family has just been appointed to the board of Spain's biggest bank, Banco Bilbao Vizcaya, which could open another lifeline.

Mr Luis Palomares, an analyst with stockbrokers F&G in Madrid, said yesterday he expected the bid to be allowed and would probably immediately be met with a counter offer.

This would force Mr De Pina to make an offer for 90 per cent of Cubiertas, he said. Cubiertas owns 10 per cent of its stock.

But getting to 90 per cent will be extremely difficult. The row began early last year after Ferrovial bought 20 per cent of Cubiertas on the market.

Cubiertas replied with a big convertible bond offering hoping to attract new friendly shareholders but Mr De Pina bought most of the bonds.

At a shareholders' meeting last summer, Ferrovial demanded seats on the Cubiertas board but was turned down. Mr De Pina went to the courts, where the complaint has languished ever since. Meanwhile, Cubiertas' other main shareholders agreed to syndicate their stock among themselves, which will make it difficult for Ferrovial to break through.

The bid, a significant rupture of good faith between Spanish constructors, has been generated by the extraordinary strength of the construction market in Spain since 1985. Construction turnover has nearly doubled since then to

\$40bn a year, about 10 per cent of the country's gross domestic product and the industry employs more than 7 per cent of the working population. General contractors have production backlogs of nearly 20 months and average return on assets in the sector has risen two full percentage points to 7.4 per cent.

Ferrovial has come out of this boom in much better shape than Cubiertas y MZOV. A recent report by the independent Madrid analysts, Research Associates, said low margins at Cubiertas "point to profitability margins which are approximately half its competitors."

Cash flow at Cubiertas in 1988, according to the report, was 2.4 per cent of sales while Ferrovial managed cash flow of nearly 9 per cent.

Ferrovial, which has also branched out into public services, has a near obsession for keeping costs and its break-even point low. "Ferrovial has developed a very deep and large know-how in dealing with the State and other public entities. Such know-how is instrumental in optimising contract cash flows and in minimising marketing costs," said Research Associates.

Whether those connections will help Mr De Pina now is anyone's guess. Cubiertas officials were insisting yesterday that cash flow last year had nearly doubled and that pre-tax profits had risen 175 per cent to Ptas2.8bn but early odds are running against them.

DAF warns of downturn in spite of 17% net rise

DAF, the Anglo-Dutch truck and van maker, yesterday confirmed a 16.7 per cent rise in net profits last year - but warned that profits would fall in the first half of this year, largely as the result of a steep decline in the UK truck market, writes John Griffiths.

DAF, which embraces the former UK state-owned Leyland trucks and Freight Rover vans operations, depends on the UK for 40 per cent of its turnover. The market for trucks over 3.5 tonnes has plummeted by around one-third since the start of this year.

DAF's sales in this sector have fallen by less - around 25 per cent. However, it has underperformed in the UK vans sector, its sales falling 24 per cent this year against a drop of 12.3 per cent for the sector overall.

The group confirmed a net profit of FF171.7m (£88m), compared with FF147.1m in 1988, on a turnover of FF2.5bn (£2.75bn). A dividend of FF1.250 per share is being proposed.

DAF said its share of western Europe's market for trucks over 3.5 tonnes fell to 9 per cent from 9.4 per cent last year.

Banque Indosuez surges 25%

BANQUE INDOSUEZ, the merchant banking arm of France's Suez group, has wasted no time crying over the failure of its efforts to team up with Morgan Grenfell, the London merchant bank, writes George Graham in Paris.

Helped partly by a FF245m (£45.1m) capital gain on the sale of its Morgan Grenfell shares to Deutsche Bank, Indosuez recorded a 25 per cent increase in net profits last year to FF1.03bn.

Mr Antoine Jeancourt-Gallignani, Indosuez's chairman, said the bank had increased net banking income by 11 per cent to FF2.89bn.

Indosuez's stockbroking

activities also performed well, with Chevreux-de Vireux, the leading French equities broker, making FF90m before tax and W.I. Carr, the London and Far East broker, turning from a loss in 1988 to contribute FF30m in 1989.

Mr Jeancourt-Gallignani said Indosuez still believed its approach to Morgan Grenfell would have been the best solution for both companies, but that the bank had already taken other measures to build up its activities piece by piece and build one of the leading European merchant banks, able to compete with the leading Japanese and American houses.

The acquisition of Gartmore, the UK fund management company, for £155m will give Indosuez the presence it needs in this sector, Mr Jeancourt-Gallignani said, while the recent recruitment of Mr Richard Sandor, the financial futures guru formerly with Drexel Burnham Lambert, would enable it to build up its activities in futures and in structured financing in the US.

Mr Jeancourt-Gallignani said he was highly satisfied with the development of Indosuez's operations in London: its own banking activities, a small venture company with Northern Engineering Industries (NEI), the heavy engineering

ABB says it wants closer relationship with R-R

By Nick Garnett

ASEA Brown Boveri, Europe's largest electrical engineering group, is seeking to extend its relationships with Rolls-Royce of the UK in power engineering.

Mr Percy Barnevik, ABB's president and chief executive, said there were advantages for both companies in being more deeply involved together.

"There is no agreement but we would like that," he said. The Swiss-Swedish group has already formed a joint venture company with Northern Engineering Industries (NEI), the heavy engineering

subsidiary of Rolls-Royce, in gas turbine power stations for the UK. It also has a 35 per cent share of International Combustion, NEI's British boiler-making business.

The Polish Government yesterday approved ABB's acquisition of Zamech, the Polish turbine manufacturer.

The power engineering industry believes GEC Alsthon has been discussing with General Electric of the US the possibility of extending their relationships in electricity transmission and distribution equipment.



a commitment to quality, reliability and innovation

LONG TERM CREDIT CORPORATE FINANCE INVESTMENT BANKING ASSET MANAGEMENT LIFE ASSURANCE COMMERCIAL BANKING

Internationally the IMI Group provides investment banking and asset management services through the following main foreign subsidiaries:

IMI Securities Corp (USA)
(member of the New York Stock Exchange)

IMI Capital Markets (UK) Ltd
(member of the Securities Association)

IMI Securities Ltd (UK)
(member of the International Stock Exchange)

IMI Bank A.G.
(member of the Frankfurt Stock Exchange)

IMI Capital Markets (Lux) SA
(member of the Luxembourg Stock Exchange)

Consolidated Highlights at March 31, 1989:

(Dollars in Millions, 1 U.S. \$ = 1,386,130 Lira)

OUTSTANDING LOANS	23,934
ASSETS UNDER MANAGEMENT	14,821
SHAREHOLDERS' EQUITY	3,312
ALLOWANCES	612
NET INCOME	362

IMI - Head Office in Rome - 25, Viale dell'Arte



Schroders

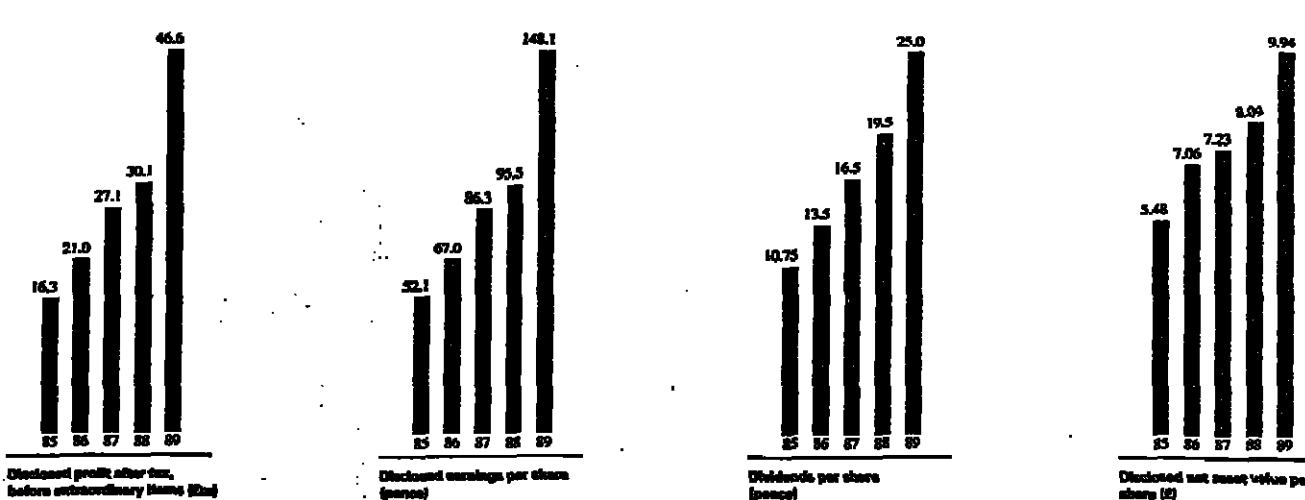
Merchant and Investment Bankers

International • Specialised • Independent

1989 Results

- ☐ Disclosed profits after tax up 55% to £46.6m.
- ☐ Disclosed earnings per share up 55% to 148.1p.
- ☐ Disclosed net asset value per share increased by 22%.
- ☐ Dividend increased by 28% to 25p.

Schroders plc Financial Performance 1985 - 1989



Copies of the Annual Report for 1989 will be available from The Secretary, Schroders plc, 120 Cheapside, London EC2V 6DS



Schroders

LONDON • NEW YORK • TOKYO • ZÜRICH • SINGAPORE • HONG KONG • SYDNEY AND 14 OTHER COUNTRIES

DFL 50.000.000,-
Floating Rate Serial Notes II/III
due 1990/91

FRIESCH-GRONINGSCH HYPOTHEEKBANK N.V.

(Incorporated with limited liability in
the Netherlands)



In accordance with the provisions of the
Notes, notice is hereby given that for the six
months interest period from March 19th
1990 to September 17th 1990 the Notes will
carry an interest rate of 9 1/8 percent per
annum.

The interest payable on the relevant date,
September 17th 1990 against coupon no. 9
will be Dfl. 464,48.

We also inform you that serial II of said notes
is payable at 100% on March 19th 1990.

Agent Bank



CREDIT LYONNAIS BANK
NEDERLAND

INT'L COMPANIES AND FINANCE

Electrafina benefits from consolidation

By Our Financial Staff

ELECTRAFINA, the Belgian
energy holding company con-
trolled by Groupe Bruxelles
Lambert (GBL), reported a con-
solidated net profit of
SF8.85bn (\$1.67bn), a 40 per
cent increase on the average
combined profit of the old Elec-
trafina and Comstra in 1988,
prior to their merger early last
year.

Electrafina said its 1989
results were largely influenced
by the consolidation, on an
equity basis, of its 30 per cent
of oil company Petrofina and
21 per cent of energy group
Tractebel.

Electrafina said it would pro-
pose an after-tax dividend of
SF122 for ordinary sharehold-
ers of record before July 1,
1989. For shareholders after
July 1, the company will pro-
pose a SF161 payout.

Electrafina said that, com-
pared to last year's payout for
Comstra and Electrafina, the
proposed 1989 dividend repre-
sented a 28 per cent increase in
return on capital.

Under a carve-up of the
energy sector agreed last year
with Société Générale de Bel-
gique, Belgium's leading holding
company, GBL is to become
leading shareholder in Petro-
fina with 25 per cent, and
remain second largest share-
holder in Tractebel, after La
Générale, with 26 per cent.

Svizzera Italiana lifts net income by 36.4%

By John Wicks in Zurich

BANCA della Svizzera Italiana
(BSI), the Swiss bank, boosted
parent company net earnings
by 36.4 per cent last year to
SF57.6m (\$37.8m) from
SF42.6m in 1988, following a
15.2 per cent growth in pub-
lished assets from SF7.52bn to
SF8.12bn.

Consolidated figures, which
BSI has released for the first
time, show that net earnings
rose by 36.4 per cent to SF7.8m
and the balance sheet total by
19.5 per cent to some
SF11.1bn.

BSI will propose at its April
25 annual general meeting to
increase dividends for 1989
from SF1.70 to SF1.80 per share
and series A participation
certificates of SF1.50 nominal
value and from SF1.14 to
SF1.16 per registered share and
series B certificate of SF1.00
nominal value.

In Zurich yesterday, Dr Gio-
rgio Ghiringhelli, chief execu-
tive, said he was confident the
bank would record "good
results" again in 1990, with
what could be a further 10 per
cent rise in profits.

At the shareholders meeting,
the board is also to propose the
conversion of 1,357 remaining
series A participation certifi-
cates into the same number of
registered shares and 5,428
series B certificates.

Dr Ghiringhelli said the
bank had not yet decided

whether to follow the example
of other Swiss companies and
completely abolish the cate-
gory of (non-voting) partici-
pation certificates.

However, he added, the fact
that no new certificates had
been created as part of last
year's capital increase could be
taken to "indicate the bank's
position" in this question.

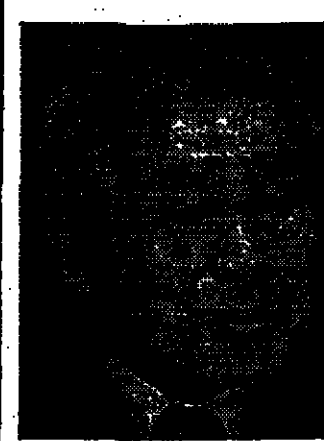
Net commission income
went up by 29 per cent in 1989
from SF120.8m to SF155.8m
and net interest income by 19.5
per cent from SF198.8m to
SF237.1m. Elsewhere, earnings
from currency and pre-
cious metals trading went up
by 21.3 per cent from SF37.2m
to SF45.2m. The 1989 figures
include those of the Geneva-
based Banque Romande, since
integrated into BSI.

Among foreign operations,
Dr Ghiringhelli disclosed that
the London branch had passed
the break-even point last year
after losses in 1988, and shown
"very satisfactory results." The
branch had been set up at the
end of 1987 to replace a former
representative office.

A breakdown of the parent
bank's balance sheet shows a
sharp rise of 30.1 per cent for
clients' funds from SF5.5m to
SF7.1m, while the due-to-
banks total was reduced by
24.8 per cent from SF2.02bn to
SF1.52bn. Loans and advances
to clients rose by 23.4 per cent.

INTERNATIONAL APPOINTMENTS

Lazard appoints Japanese adviser



MR SATOSHI Sumita (above),
who recently retired as gov-
ernor of the Bank of Japan, has
become a special adviser on
international financial matters
to merchant bank Lazard
Brothers, of London, and its
Lazard Frères affiliated com-
panies in Paris and New York.

NATIONAL Commercial Bank,
Saudi Arabia's largest bank,
has appointed Mr Peter Stev-
ens as treasury manager in
Jeddah.

Previously, Mr Stevens was
head of the treasury group at
the London branch of The
National Bank of Kuwait.

Former IEL chief to take Pioneer helm

By Chris Sherwell in Sydney

MR ROD Price, the former
chief executive officer of Indus-
trial Equity Ltd (IEL), is to fill
the same position at Pioneer
International, the Australian
building materials and
resources group.

The announcement, made by
Sir Tristan Antico, Pioneer's
founder and chairman, ended
three months of uncertainty
for the group since Mr Des
Quirk retired early because of
ill-health.

Sir Tristan himself stepped
down as managing director
and chief executive two years
ago, and despite his non-exec-
utive role retaining a powerful
influence over the group's
direction.

Mr Price will start his new
job in mid-April as Pioneer
moves to complete the
A\$450m-A\$500m disposal of its
various mining interests,
including its failed investment
in Giant Resources.

The proceeds are being used
to reduce borrowings, but Sir
Tristan indicated that the
group had acquisitions in mind
for its principal businesses,
which are in building materials
at home and abroad, and
oil exploration, refining and
marketing.

Mr Price's background is in
the Southern Farmers group,

which he turned into a profit-
able food processor and dis-
tributor, and in IEL, which
until last year was the Aus-
tralian arm of New Zealand en-
trepreneur Sir Ron Brierley's
empire.

When IEL suffered substan-
tial losses in the 1987 crash, it
was forced to shift its strategy
from being an investment com-
pany playing the share market
to an operational business with
full control of the Woolworths
retail chain.

Last year the group was
taken over by Mr John Spal-
vin's Adelaide Steamship
after Mr Price, his colleague
Mr Bill Loewenthal and the
textiles magnate Mr Abe Gold-
berg failed with a protracted
management buy-out attempt.

"It became very difficult for
there to be two captains on one
ship," Mr Price said, "espe-
cially as one had actually
bought the ship." His decision
to leave IEL was unrelated to
his move to Pioneer, where he
would "definitely" be captain.

Sir Tristan declared that he
would not be interfering in any
formal way with management.
However, he added: "If Mr
Price wants to call on my 40
years of experience, he can."
Mr Price said it would be fool-
ish not to take advantage of Sir
Tristan's experience.

Pennzoil chief executive

PENNZOIL, the relatively
small Houston-based oil com-
pany which gained the world's
attention with its long-running
lawsuit against Texaco that
Pennzoil finally won with a
\$9bn damages settlement two
years ago, named executive
vice president and chief oper-
ating officer Mr James L. Tate
as president and chief executive.

He succeeds Mr Randal B.
McDonald, who is retiring. Just
a month ago, Mr Tate, 54, was
elected to the chief operating
officer role. Mr Hugh Liedtke,
68, is chairman.

Mr Tate, since joining Penn-
zoil in 1976, has held posts
such as chief economist, treas-
urer and senior vice presi-
dent. In 1974, he was
appointed by President Ford as
US assistant secretary of com-
merce, and later as a special
adviser to the White House.

US SHOES, the Cincinnati-based
footwear manufacturers and
optical and women's apparel
retailers, said president and
chief operating officer Mr Ban-
nus B. Shuman, 44, has been
named chief executive officer.

He succeeds Mr Phillip G.
Barach, who will be 60 next
month and had been chief
executive since 1988.

Mr Barach, who retains his
other role of chairman, will

now concentrate on long-range
planning and on developing
growth strategies for the foot-
wear and women's apparel
retailing businesses.

TLC Beatrice International, the
food and beverage conglomer-
ate controlled by Wall Street
investor Mr Reginald Lewis,
named Mr Mark Thorne vice
president - finance and chief
financial officer.

He replaces Mr Kevin Smith,
who is pursuing other business
interests. Previously, Mr
Thorne worked at the account-
ing firm of Deloitte & Touche,
where he was a senior audit
manager on the TLC account.

SHEARSON Lehman Hutton,
the US securities house con-
trolled by American Express,
has appointed senior managing
director Mr Philip Caldwell to
its board of directors.

Mr Caldwell, who joined
Shearson in 1985, previously
served as chairman and chief
executive of Ford Motor from
1980 until retiring from there
in 1988. He had succeeded
Henry Ford II as chairman.

In a separate announce-
ment, Shearson named Mr
Ronald J. Yoo as a vice chair-
man. Mr Yoo has also become
a director of Shearson's bro-
ker-dealer unit.

ANZ names chief economist

AUSTRALIA and New Zealand
Banking, one of the top three
commercial banks in Australia,
appointed Mr Ian Little as
group chief economist.

He replaces Mr Andrew
Mohl, who will be taking up a
senior appointment in Sydney
with ANZ's retail banking
operations.

Mr Little, before joining ANZ
in 1986 as senior economist,
worked in Sydney in the
research department of the
Reserve Bank.

AT WANG Laboratories, the
troubled US minicomputer
maker, Mr Ken Ollis, vice presi-
dent for applications engineer-
ing, has been appointed vice
president and general manager
for Europe, Africa and the Mid-
dle East.

He will be responsible for all
sales and marketing activities
in these geographic areas.

Mr Ollis replaces Mr Arend
Vleggeert, who asked to be
relieved of his responsibilities

for personal reasons. Mr Ollis's
appointment is for at least
the remainder of the fiscal
year, and no decision regarding
a permanent replacement for
Mr Vleggeert has been made.

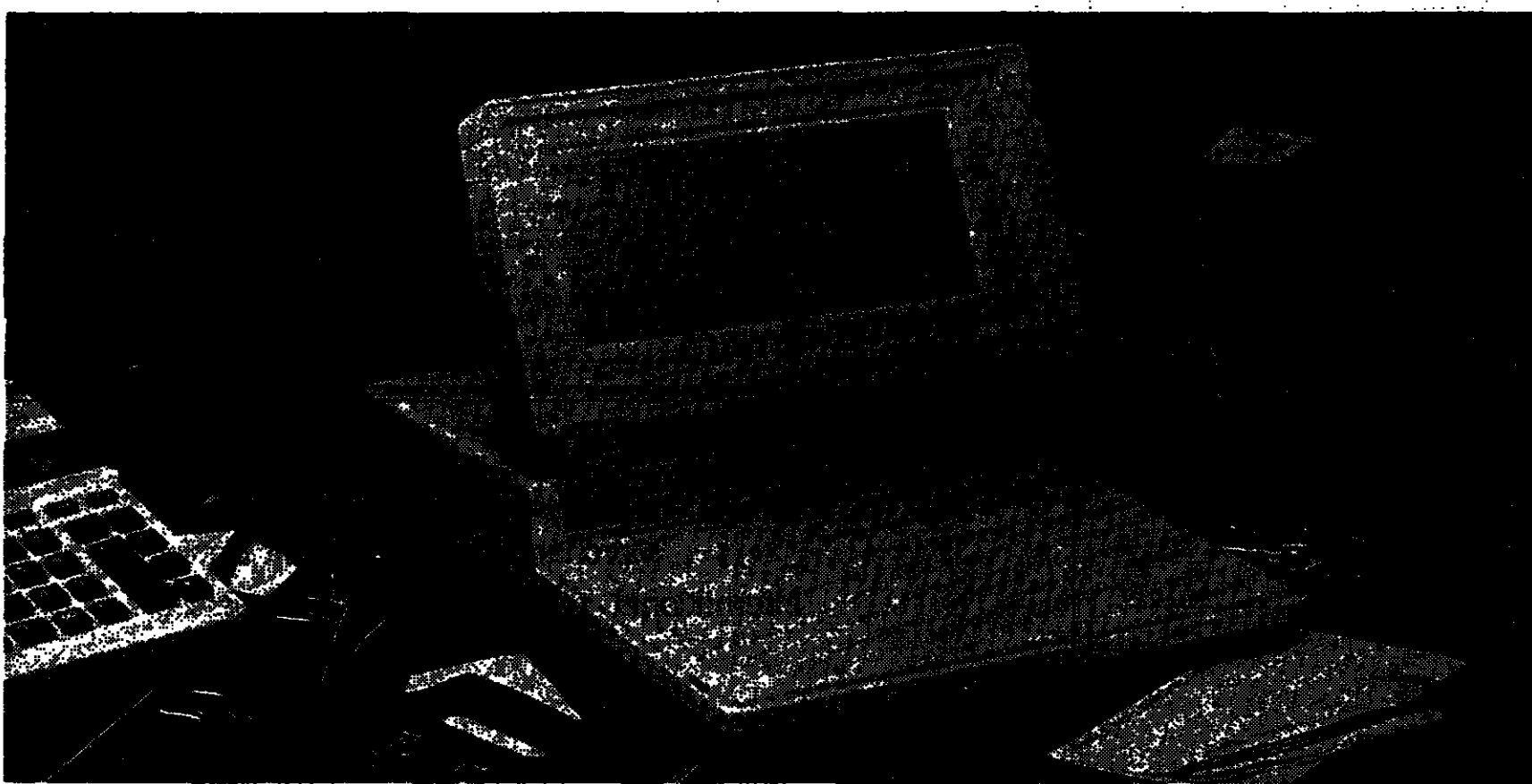
MAYTAG, the US household
appliances maker which owns
the Hoover company,
appointed Mr Leonard Hadley,
an executive vice president,
to a newly created post of chief
operating officer.

Mr Hadley is currently presi-
dent of the company's appli-
ance group.

GAF, a US specialty chemicals
concern, said Mr Irwin Engel-
man will join the company on
April 2 as executive vice presi-
dent and chief financial officer,
and as a director.

Mr Engelman is resigning
with effect from April 1 as
president and chief operating
officer of Citytrust Bancorp,
although he will remain with
the company as a director.

YOUR PASSPORT TO SUCCESS



From home to office, or from Rochdale to Rio, your work can now travel
with you.

With the 1400 HD and 1400 FD portable computers from Tandy, where
you happen to be in the world is no longer important.

The 1400's will accompany you wherever you want to go while taking up
very little space. However, they still contain many of the features you would
associate with a desktop office PC, including a full size keyboard, 80-
character by 25-line LCD display and built-in 768K RAM. The 1400 HD
also includes a 20 megabyte hard disk as standard.

So whether you are writing a magazine article on a 125 or a company
report on a 747, the Tandy 1400 provides the perfect travelling companion.

For further information **FILL IN THE COUPON BELOW** or **DIAL 100**
AND ASK FOR FREEPHONE TANDY COMPUTERS.

Tandy 1400 HD. £1699.00 Excluding VAT

Tandy 1400 FD. (Pictured) £799.00 Excluding VAT

VAT at 15% to be added to the above prices



InterTAN U.K. Ltd., Tandy Centre, Leamore Lane,
Walsall, WS2 7PS. For Further Information Dial
100 And Ask For Freephone Tandy Computers.



At Tandy, we don't just sell technology, we also show you how to
use it. Our Business Point Stores and Dealers provide friendly
and professional advice on all aspects of computer use.



For further information on the Tandy 1400 FD/HD, send to Tandy Computers, InterTAN U.K. Ltd., Leamore Lane, Walsall, WS2 7PS

FT2/2

Name	Company	Position
Address		
Post Code	Tel.	

Please arrange a demonstration ☐

**TANDY
COMPUTERS**

Problem Solved

INCOME BONDS

NOTICE OF NEW RATE

Beginning on 4 May 1990
the rate of interest payable
on Income Bonds
will go up from
12.5% pa to 13.5% pa.

DEPOSIT BONDS

The same change
will apply to
Deposit Bonds
(no longer on sale).

**NATIONAL
SAVINGS**

Issued by the Department for National Savings
on behalf of the Treasury.

INTERNATIONAL COMPANIES AND FINANCE

Bell to buy Bond Brewing Holdings

By Chris Sherwell in Sydney

BOND CORPORATION, the troubled flagship of entrepreneur Mr Alan Bond, yesterday struck a deal to acquire its Australian brewing and broadcasting assets with Bell Resources, its independently controlled subsidiary - averting a wind-up action which the outfit had threatened.

An announcement following protracted negotiations between the two companies said Bell Resources would buy Bond Brewing Holdings, which makes Swan, Tooheys and Castlemaine XXXX lagers, for a revised A\$1.85bn (US\$1.4bn), subject to satisfactory finance and shareholder approval.

The brewing sale is the third to be proposed by the two companies since last May, when Bond said it would sell to Bell Resources its worldwide brewing assets for A\$3.5bn. That was revised to A\$2.5bn for the Australian assets in December.

The sale is critical because it would give Bond Corporation a much-needed surplus on its brewing assets, and would repay a A\$1.5bn "deposit"

taken from Bell Resources through a controversial channelling of funds to Bond Corporation.

The second part of yesterday's deal gives Bell Resources a 40 per cent stake in Bond Media, together with better security over Bond Brewing's shares, in return for dropping its wind-up petitions.

Under an agreement with Bond Corporation and Hongkong and Shanghai Banking Corporation, a significant Bond creditor, Bell Resources will purchase 213m Bond Media shares for 40 cents a share. Payment will be through a reduction of the amounts already due to Bell Resources from Bond companies.

Significantly, the offer is well above the 10-cents-a-share bid by Mr Kerry Packer's Television Corporation of Australia, and potentially undermines its chances of success. It is also well ahead of recent market levels of 12 cents.

The agreement between Bell Resources and Hongkong Bank also provides that Bell

Resources will pay A\$21m to gain first mortgage security over the Bond Media shares instead of second mortgage and first mortgage security over Bond Brewing shares instead of third mortgage.

Bell Resources and Bond Corporation said they would "immediately commence discussions aimed at regularising as soon as possible the financial arrangements" between them, an apparent reference to outstanding payments due to Bell Resources which triggered its petitions in early February to wind up Bond Corporation.

Yesterday's developments were precipitated by deadlines for Bond Corporation to complete its brewing assets sale with Bell Resources and declare to the courts that it remained solvent. A further deadline looms next week, when Bond is due to repay Mr Packer A\$200m due on his original 1987 sale of the Channel Nine television network.

A bank syndicate led by National Australia Bank has meanwhile decided to appeal to

the High Court in Canberra against the decision by the full bench of the Victorian Supreme Court to remove receivers appointed to Bond Brewing.

The syndicate, which is owed A\$880m, sought and won the appointment by a judge of the Victorian court in December, and the decision was confirmed in February. But earlier this month the full bench upheld Bond Corporation's objections and rescinded the decision. Bond Corporation is pursuing a separate claim for damages against the banks.

● Bond International Gold, control of which Mr Bond sold last year to Lac Minerals of Canada, incurred a net loss of US\$26.4m for the six months to December, on revenues of \$123m and what it described as a "lower than planned" 243,722 oz share of gold produced. Our Financial Staff writes.

The company, which has changed its year-end, lost \$69.9m in the previous full year to June on sales of \$206m.

Record profits for Jardine group

By Angus Foster in Hong Kong

JARDINE Matheson Holdings, the Bermuda-based trading company controlled by the Kewick family, yesterday reported record profits for 1989 boosted by strong growth from its Hong Kong and regional operations.

The company said profits after tax and minorities jumped 42 per cent to HK\$1.58bn (US\$202.6m). Extraordinary items, mainly from the sale of businesses as part of group restructuring, added a further HK\$334m.

Sales, however, grew only 1.8 per cent to HK\$15.06bn. The discrepancy seemed partly attributable to Jardine Fleming, the company's half-owned securities house, which lifted profits 46 per cent to \$63m but is thought to have recorded

much slower growth in turnover.

Jardine Matheson is recommending a final dividend of 74 cents to give total dividends for the year of 85 cents, a 46 per cent increase over last year. Earnings per share increased 45 per cent to HK\$2.95.

The results were well above market expectations and Jardine Matheson's shares closed HK\$1 higher at HK\$28.30, helping trigger a minor rally among Hong Kong blue chips.

Mr Henry Kewick, chairman, said the results showed the company's strategy of decentralising its businesses was working. He said the company's principal subsidiaries - Jardine Pacific, a regional trading arm set up last year, and

Jardine Insurance Brokers, had "outstanding" years. Jardine Pacific lifted net profits 44 per cent to HK\$388m, while profits at the London-based insurance arm gained 8 per cent to HK\$123m in a difficult market.

In spite of Jardine Matheson's links to Hong Kong, the group made 46 per cent of total profits outside the colony and China in 1989, a marked increase from the 31 per cent contribution last time.

The results also mark the fourth successive year Jardine Matheson has achieved impressive profits growth. The company seems to have recovered fully from the mid-1980s when high borrowings and a property crash forced a fire sale of assets and a restructuring.

ICI Australia forecasts difficult trading

ICI AUSTRALIA, a 62.4 per cent subsidiary of the UK's Imperial Chemical Industries, warned yesterday that its profits for the six months to March were expected to be about half that of the corresponding period last year. Reuter reports from Melbourne.

In the six months to March 1989, it posted net profits of A\$88.6m (US\$66.8m). ICI Australia said although sales were forecast to be about the same at A\$1.45bn, profits would decline as a result of a steep fall in the international price of plastics and chemicals.

It said this was compounded by rising costs and high interest rates in Australia. "The outlook for the remainder of the year is one of difficult trading for most of our businesses in a slowing economy," the company said.

"The company has implemented a range of measures to control costs and improve profits," it added. "Despite these adverse conditions, the future of the group is soundly based on a strong cash flow, conservative borrowing levels and a major share of these markets in which we compete." The group plans to announce interim results on May 18.

Bigger payout at UOL after strong growth

UNITED OVERSEAS LAND (UOL), a property and hotel associate of Singapore's United Overseas Bank, increased net profit to S\$23.9m (US\$12.7m) in 1989 from just S\$2.9m in the previous year and expects to improve its results further this year, Reuter reports from Singapore.

Turnover was S\$87.5m compared with S\$85.5m. A 3 cents a share dividend is being paid, up from 1 cent.

The rental market for commercial and residential properties was expected to firm, it said. Capital values of properties were likely to stabilise. "The upturn in the hotel industry is expected to continue for some time in view of the good growth rate in tourist arrivals coupled with the shortage of hotel rooms."

Jardine Fleming in Taipei venture

By John Elliott in Taipei

JARDINE FLEMING, the financial services joint venture between Jardine Matheson of Hong Kong and Robert Fleming of London, plans to set up a new stockbroking firm in Taipei once it has pulled out of an existing partnership with local businessmen.

Three other foreign companies in the partnership, which each have 5 per cent stakes alongside Jardine Fleming's 10 per cent, are also pulling out. They are Rockefeller and Co of the US, the South Africa-

backed Consolidated Resources of Hong Kong and the London-based Robert Fleming. They will receive NT\$50 (US\$1.12) for each of their NT\$10 shares.

It is believed their move was motivated by differences of opinion with local partners about the development of the venture. Taiwan International Securities, in the casino-style atmosphere of Taiwan's controversial stock market.

The partnership, one of a series of integrated brokerages set up about a year ago, has

less than 1 per cent of the market turnover. The most prominent local partner is Mr Pan Tsao Chang, a member of Taiwan's parliament, the Legislative Yuan, and a prominent member of the ruling Kuomintang (KMT) party.

Jardine Fleming intends to continue with its advisory activities and is drawing up plans to set up a new brokerage, possibly exercising the right for foreign companies to have a 40 per cent stake.

DFC may continue as merchant bank

By Terry Hall in Wellington

THE APPOINTMENT this week of a new statutory manager to run DFC New Zealand, the failed former government investment bank, is seen as a long-term initiative which could see it continue to operate as a merchant bank on a reduced scale.

Plans to restructure DFC are expected to be put before creditors soon. It is understood that the appointment of Mr Sandy Maier, the statutory manager who also assumes the position of chief executive, was approved by the DFC advisory committee, most of whom are Japanese, and other international creditors who are owed

around NZ\$25m (US\$1.6bn).

Mr Maier, a Yale law graduate, has worked for Citibank for the past 15 years and has headed its New Zealand operations since 1986. He replaces the two former statutory managers, Mr Don Francis and Mr Tom Davies of accountants Deloitte Haskins and Sells, and the acting chief executive, Mr Keith Sutton. All three are expected to work with Mr Maier. Mr Maier is to continue to operate under the Reserve Bank Act which instructs him to maintain public confidence and avoid damage to the financial system. It is assumed that Mr Maier

will continue the role of his predecessors in overseeing an orderly winding down that would achieve a 75 per cent return for investors. The process is expected to involve some sort of debt compromise, under which creditors would waive some of their claims in return for greater control of the company.

Some 3,000 smaller New Zealand investors would be paid out first, allowing a scheme of arrangement to be put in place which would stabilise DFC's finances and allow it to trade during the rundown. According to Mr Francis, the wind-down could take four years.

Crédit National advances due to increased activity

By George Graham in Paris

CREDIT NATIONAL, the French long-term credit bank, has reported a 60 per cent increase in net profits last year to FF911m (\$120.6m).

The bank, which lost the last of its privileges as distributor of state-guaranteed industrial loans at the end of 1987, said it had experienced a considerable increase in activity last year, with new credit agreements increasing by 25 per cent to FF233.3bn and drawings-down increasing by 35 per cent to FF216.3bn.

Mr Paul Menétré, Crédit National chairman, said lending to the service sector had increased to account for nearly 40 per cent of his bank's activity. The industrial sector had diminished in importance for Crédit National, with the

exception of the mechanical, motor, aviation and transport segment, with aviation finance particularly strong.

Crédit National's net banking income increased by 11 per cent to FF1.56bn, while operating profits rose by 17 per cent to FF945m.

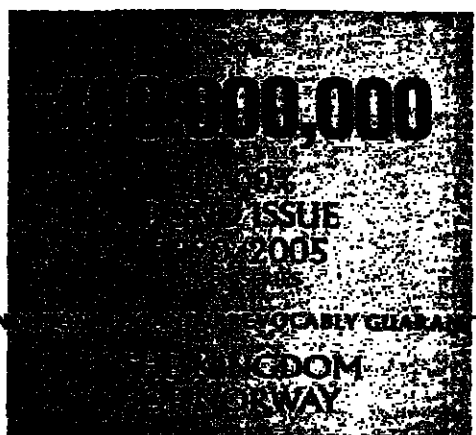
The bank's principal subsidiaries - Financière St. Dominique, which provides equity and development capital to companies, and Domihell, in the leasing sector, improved their profits by 40 per cent and 60 per cent respectively. Dupont-Denant, the stockbroker in which Crédit National raised its stake to 51 per cent, saw earnings fall due to difficult conditions in the bond market, in which it specialises, but remained profitable.

THIS ANNOUNCEMENT APPEARS AS A MATTER OF RECORD ONLY.



Norges Kommunalbank

(INCORPORATED IN THE KINGDOM OF NORWAY)



ISSUE PRICE: 100%
INTEREST: 10.00% P.A.
PAYABLE ANNUALLY IN ARREARS
ON MARCH 16
CALL ON MARCH 16, 1992
AT CALL PRICE 100.50%
AND THEN EVERY YEAR THEREAFTER AT DIFFERENT CALL PRICES
REDEMPTION: MARCH 16, 2005
LISTING: OSLO STOCK EXCHANGE.

LEAD MANAGED BY



CO-LEAD MANAGED BY

LANDSBANKEN A/S MIDT-NORGE FONDS A/S A/S NORDLANDSBANKEN SVENSKA HANDELSBANKEN A/S

NEW ISSUE These Bonds having been sold, this announcement appears as a matter of record only. MARCH, 1990



Norges Kommunalbank

NOK 1.000.000.000

10 per cent notes 1989/1993

Open series

(Previously sold NOK 650.000.000)

unconditionally and irrevocably guaranteed by

The Kingdom of Norway

Issue Price 100 per cent.



Union Bank of Norway



CHRISTIANIA FONDS AS

Bayerische Hypotheken- und Wechsel-bank
Bayerische Landesbank Girozentrale

Daiwa Europe Ltd.

Midt-Norge Fonds A/S

Sparebanken Nordland

SR-Fonds A/S

Bank of Tokyo Capital Markets Limited

Mitsubishi Finance International plc

Nikko Securities Co. (Europe) Ltd.

Svenska Handelsbanken Group

Yamaichi International (Europe) Ltd.

2-day Conference

Advanced Risk Management

Copenhagen, May 9-10, 1990

- ★ Asset/Liability Management Techniques
by Randall Hiller, Harvard Business School
- ★ Modelling of Interest Rate Risk
by Georges Courtaud, Citicorp
- ★ Multicurrency Portfolio Management
by Andrew Kalotay, Salomon Brothers
- ★ Managing Currency Risk
by Lee Thomas III, Investcorp

For detailed programmes and further information, please contact Ms. Marianne Laurson or Mr. Søren Plesner at SimCorp's office in Copenhagen.



SimCorp

Simulation Planning Corporation A/S

Kongensgade 20 • DK-1208 Copenhagen K • Denmark • Phone +45 33 12 83 00 • Telefax +45 33 12 13 92

NOTICE OF PREPAYMENT

BANCA POPOLARE DI MILANO
NEW YORK BRANCH

US\$30,000,000

Negotiable Floating Rate Certificates of Deposit
Due April 1991

Notice is hereby given that in accordance with the conditions of the above Certificates of Deposit (the "Certificates"), Banca Popolare di Milano, New York Branch (the "Bank") will prepay all the outstanding Certificates on 23 April 1990 (the "Prepayment Date"), at their principal amount.

Payment of the principal amount, together with accrued interest will be made on the Prepayment Date against presentation and surrender of the Certificates at the London Office of the Paying Agent, Morgan Guaranty Trust Company of New York, 1 Angel Court, London EC2R 7AE.

Interest will cease to accrue on the Certificates on the Prepayment Date.

Agent: Morgan Guaranty Trust Company

JPMorgan

Dated 22 March 1990

Citicorp Finance PLC

£150,000,000

Guaranteed Floating Rate Notes Due December 1997
Unconditionally Guaranteed by

CITICORP

Notice is hereby given that the Rate of Interest has been fixed at 15.6% and that the interest payable on the relevant Interest Payment Date, June 21, 1990 against Coupon No. 18 in respect of £10,000 nominal of the Notes will be £393.21.

March 22, 1990, London
By: Citibank, N.A. (CSN Dept.), Agent Bank CITIBANK

CORRECTION NOTICE

NBD BANKCORP, INC.

US\$100,000,000

Floating Rate Subordinated

Notes due 2005

Notice is hereby given that for the interest period 20th March, 1990 to 20th June, 1990 the interest rate has been fixed at 5 1/4%. Interest payable on 20th June, 1990 will amount to US\$222.01 per US\$10,000 Note.

Agent Bank:
Morgan Guaranty Trust
Company of New York
London

NEW HOMES

ADVERTISING

appears every
Saturday in the
Weekend FT.

For further information
please call

Genevieve Marengi
on 01-873 4927

INTERNATIONAL CAPITAL MARKETS

Treasuries hit by profit-taking

By Janet Bush in New York and Andrew Freeman in London

US TREASURY bonds registered modest losses at midsession yesterday, reflecting profit-taking on the dollar as well as caution in advance of details of next week's sales of two-year and four-year notes.

Short-dated maturities were

GOVERNMENT BONDS

quoted as much as 1/4 point lower, while the Treasury's benchmark long bond stood 1/2 point below Tuesday's close to yield 8.27 per cent.

The prospect of new supply next week, expected to total about \$18bn, has kept pressure on the short end of the yield curve, which has underperformed the long end, leading to a marked flattening of the yield curve in recent sessions.

The curve is now inverted between the two-year and 30-year areas. The yield on the 3.5 per cent issue due to mature in 1992 was quoted at 8.64 per cent at midday.

The dollar was quoted at Y183.90 compared with an earlier high in New York of Y184.50, and at DM1.7050 from DM1.7115 earlier.

The mood was more cautious yesterday than on Tuesday

when bonds rallied strongly in reaction to strength in the dollar and on strong Japanese demand. Traders were some-

what sceptical about Tuesday's price gains which came despite a discouraging consumer

prices release for February. Japanese stock and bond markets were closed yesterday for a national holiday, removing the key influence on the US market in recent weeks.

IN THE UK, government bonds settled after the sharp sell-off that followed Tuesday's Budget. Traders described the gilt market as soggy, but said it had recovered from the lows.

Overnight, gilts were around 2 points below their pre-Budget levels. Prices fell by a point after yesterday's opening, before the closing of short positions led to a mild recovery.

The benchmark 11 1/2 per cent gilt maturing 2005-07 was trading towards the close at around 97 1/4, 1/4 point lower on the day to yield 12.15 per cent. At one stage it dropped to yield 12.2 per cent.

Sterling was vulnerable

against other currencies.

THE WEST German government bond market had another lively day, with volatility more from the cash market as prices on the cash market were fixed around 1/4 point higher than Tuesday's levels.

The benchmark 7 1/2 per cent Bund maturing in 2000 was fixed at 94.10 to yield 8.66 per cent. The rate rose by another 10 basis points.

Trading was described as technical, reacting to the Daimler-Benz Eurobond issue and news that the Bundesbank was draining some DM4.5bn from the market in its latest repurchase operation.

Record debt repackaging planned by Nomura

By Norma Cohen

NOMURA SECURITIES is understood to be preparing the largest-ever repackaging of highly leveraged senior debt, mostly of US corporations, for resale to investors.

Concern from banking regulators in the US and Japan, in particular, is encouraging lenders to look for ways to remove highly leveraged transactions from their balance sheets.

The sale of these debts to special-purpose companies, which buy them from banks with funds loaned by investors, is seen as the most promising route for those banks to rid themselves of this exposure.

The issuing vehicle to be established by Nomura, Restructured Assets backed by Senior Obligations (ROSA), is expected to issue some \$800m of bonds, of which about 30 per cent will carry a Aaa-credit rating from Moody's.

Investors Service, this transaction is expected to pay interest at about 30 basis points over London Interbank Offered Rates (Libor).

Another 50 per cent of the bonds will be rated A-2 by Moody's and is expected to pay interest at 75 basis points over Libor.

Finally, the issuing vehicle will sell equity, totalling about 30 per cent of the corporation's assets, that will give investors an interest in principal repayments on the loans.

Also said to be under way is a \$140m offering of securitised highly-leveraged loans underwritten by Merrill Lynch.

Nomura's offering will not be the first to be backed by highly leveraged debt.

Continental Bank has privately placed three such issues of debt backed by commercial and industrial loans, the largest of \$250m in London. The financing is designed so that while it is underwritten it can be held off balance sheet by banks, and therefore requires no capital adequacy provisions. If and when the bid becomes unconditional, the bank is drawn, its

NZ Telecom sale in two tranches

By Janet Bush

NEW ZEALAND will privatise New Zealand Telecom in a two-stage transaction involving the sale of a stake to a strategic buyer or buyers followed by a public share offering in various countries.

First Boston, the Wall Street investment bank, is acting as adviser on both legs of the sale with Biddle Wilson, a New Zealand brokerage house.

First Boston is also expected to act as lead underwriter of the public share offering, scheduled for the second half of this year.

First Boston estimates that the privatisation could raise as much as US\$2.3bn, a large transaction in the context of the New Zealand stock market which is capitalised at around \$1bn.

The privatisation will be the first to employ the combination of a sale to a strategic buyer and a public share offering. The advantage of this approach is that a valuation can be established through the sale of a stake to a strategic buyer before the public offering.

"This formula may well become the model for privatisations in the 1990s," said the First Boston investment banker leading the advisory team. "It is a good way to maximise value."

Mr David Caygill, New Zealand Minister of Finance, announced the privatisation on Tuesday in the House of Representatives, saying that the proceeds of the sale would be used to achieve a substantial reduction of the public debt.

He said that a ceiling of 49.9 per cent would be imposed on

the shareholding of any foreign strategic buyer or buyers and that any transfer of shares by these shareholders to a non-New Zealand company would require government approval.

A First Boston official in New York said that his firm and Biddle Wilson were already putting together the strategic sale. There has been interest in buying a stake from potential buyers in the US, Europe and Australia, particularly from telecommunications and telephone companies.

BSB gives details of development finance

By Andrew Freeman

BRITISH Satellite Broadcasting, the television company set up to rival Mr Rupert Murdoch's Sky Television, yesterday gave further details of two financings announced some time ago as part of its on-going development programme.

Barclays Bank confirmed the launching of a \$450m eight-year project loan which will move into general syndication on Friday. The facility carries an initial margin of 2 per cent over London Interbank offered rate (Libor), reflecting its risky nature.

As BSB gains subscribers for its television services and returns on the project increase, the margin will be reduced in a series of pre-determined stages.

There is a 2.1 per cent commitment fee on undrawn portions, as well as front-end fees of between 1/2 and 1 per cent depending on commitments.

Underwriting of the project loan is already completed, with Barclays as the arranger, National Westminster and BJB as co-arrangers. Other participants are Union Bank of Switzerland, Fuji Bank, Amro and CIBC.

BSB also announced that syndication of a \$450m three-year subordinated loan has been completed by Barclays Bank. The loan carries a margin of 30 basis points over Libor and an initial guarantee from BSB's four main shareholders, which include Pearson Group, owner of the Financial Times.

Inco offers stake in Indonesian unit

INCO, the Canadian mining and minerals processing company, put up for sale a stake in its Indonesian subsidiary in an international offering which takes advantage of recent liberalisation of the Indonesian stock market.

The offering of 14.9m shares in P.T. Inco is the second since the rules were changed. Inco is also selling 34.5m shares domestically, thus reducing its stake in the company to 58.2 per cent.

France approves consumer loan bond issue

By Andrew Freeman

THE FIRST bond issue secured by consumer loans was approved in France yesterday and will be launched early in April.

A joint venture between Bear Stearns, the US investment bank and brokerage house, and Credit Lyonnais, the French bank, plans to launch a FFfrlm deal backed by consumer loans, originated and currently serviced by Credit Lyonnais.

The issue is the first of its kind to securitise assets since so-called *titrisation* laws were introduced in France in December 1988, allowing the transfer and sale of financial assets.

A previous deal last year securitised a pool of brokers' loans.

The latest issue, known as *Finances des Consommateurs* or CL FCC 90-1, will consist of FFfrlm of Class A notes with an expected average life of one-and-a-half years, and FFfrlm Class B notes which will carry a higher margin but will have no external credit enhancement. Indicated terms will be set after investors have been consulted on pricing.

The Class A notes, although described as a French domestic issue, will be extensively marketed to international investors. Up to half the issue may be placed outside France depending on demand. Credit Lyonnais will initially retain all the Class B notes on its portfolio.

A pool of fixed-rate, personal

loans with an average maturity of around three years provides the basis for the deal. The short-term maturity on the loans allows the short average life on the Class A notes.

A senior-subordinated structure gives credit enhancement to the Class A notes, which will also benefit from any prepayments. However, the notes have a low sensitivity to prepayment rates.

"We deliberately made this a fairly simple deal because European investors are not as familiar with risk assessment as investors in the US," says Mr Elaine Roberts, senior managing director of Bear Stearns.

"As the French asset-backed market matures, we anticipate that a wide variety of loans

will be packaged."

Barclays have not rushed to take advantage of the new law to securitise their loan books. The law only authorises credits of more than over two years, thus ruling out many consumer loans, while home loans, the obvious candidates for securitisation, yield too little in France to interest investors.

The Woolwich Building Society has announced a \$750m US commercial paper programme, with Barclays as the arranger, and said the funding would cost less than a current sterling equivalent.

Shearson Lehman Hutton is the sole dealer, while Morgan Guaranty Trust Company is acting as issuing and paying agent.

BTR 'acquires' \$1.5bn to fund hostile Norton bid

By Andrew Freeman

BTR, the UK industrial conglomerate, announced a \$1.5bn short-term acquisition loan to fund its \$1.5bn hostile bid for Norton, the US ceramics and plastics manufacturer.

The \$64.4m facility is fully underwritten by Barclays Bank and is now in general syndication via Barclays Syndications in London. The financing is designed so that while it is underwritten it can be held off balance sheet by banks, and therefore requires no capital adequacy provisions. If and when the bid becomes unconditional, the bank is drawn, its

maturity will have shortened considerably.

Although Barclays officials would not comment, the facility is thought to carry a margin of 15 basis points over Libor, with a 4 basis point commitment fee. There are no front end fees.

Barclays is seeking minimum commitments of \$25m from managers, \$50m for lead managers and \$100m for senior lead managers.

Initial reactions from banks suggested that the margin was relatively tight given the bid becomes unconditional and the lack of front-end fees.

Canadian retail securities firms in talks on merger

By Bernard Simon in Toronto

TWO Canadian securities firms that have recently been in the red are discussing a merger.

Midland Doherty Financial said yesterday that "no transaction has been agreed upon" in talks with Walwyn. A local newspaper report said that a third party might be involved.

Both firms specialise in the retail securities business, where sales and profits have tumbled as investors have shied away from the stock market. Midland suffered a \$31.7m (US\$14.5m) loss in the nine months to the end of 1989, on revenues of \$361.2m, while Walwyn's loss for calendar

1989 was C\$7.2m on revenues of C\$76.2m. The two firms have a combined workforce of about 1,500 people.

Midland's largest shareholder is Unicorn Canada, a financial and industrial conglomerate. Walwyn is controlled by Fairfax Financial, a Toronto-based financial services group.

The two groups have been through several upheavals in recent years, including changes in ownership and senior management. Midland has taken parts of several failed securities firms under its wing.

1989 was C\$7.2m on revenues of C\$76.2m. The two firms have a combined workforce of about 1,500 people.

Midland's largest shareholder is Unicorn Canada, a financial and industrial conglomerate. Walwyn is controlled by Fairfax Financial, a Toronto-based financial services group.

The two groups have been through several upheavals in recent years, including changes in ownership and senior management. Midland has taken parts of several failed securities firms under its wing.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

© The Financial Times Ltd 1990. Compiled by the Financial Times Ltd in conjunction with the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS		Wednesday March 21 1990		The Mar 20		Mon Mar 19		Fri Mar 16		Year ago (approx)	
Figures in parentheses show number of stocks per section	Index	Day's Change	Est. Earnings Yield (%)	Est. Div. Yield (%)	Est. P/E Ratio	Est. Div. Yield (%)	Est. P/E Ratio	Est. Div. Yield (%)	Est. P/E Ratio	Est. Div. Yield (%)	Est. P/E Ratio
1 CAPITAL GOODS (202)	860.25	-0.5	13.51	5.13	9.02	13.51	5.13	9.02	13.51	5.13	9.02
2 Building Materials (27)	1042.99	-0.4	15.12	5.46	8.24	15.12	5.46	8.24	15.12	5.46	8.24
3 Constructing Construction (37)	1410.05	-0.6	17.41	5.67	7.51	17.41	5.67	7.51	17.41	5.67	7.51
4 Electricals (10)	2671.94	-1.8	12.12	5.34	10.05	12.12	5.34	10.05	12.12	5.34	10.05
5 Electronics (25)	1812.77	-0.2	13.02	5.17	9.02	13.02	5.17	9.02	13.02	5.17	9.02
6 Engineering-Aerospace (3)	435.59	-0.5	15.44	5.33	7.97	15.44	5.33	7.97	15.44	5.33	7.97
7 Engineering-General (44)	461.10	-0.6	12.26	5.33	9.23	12.26	5.33	9.23	12.26	5.33	9.23
8 Metals and Metal Forming (6)	492.15	-0.4	23.91	6.33	4.72	23.91	6.33	4.72	23.91	6.33	4.72
9 Motors (14)	325.32	-0.4	14.18	6.26	3.10	14.18	6.26	3.10	14.18	6.26	3.10
10 Other Industrial Materials (25)	1593.02	-0.5	11.25	4.76	10.35	11.25	4.76	10.35	11.25	4.76	10.35
11 CONSUMER GROUP (176)	1215.60	-0.4	9.61	3.99	13.00	9.61	3.99	13.00	9.61	3.99	13.00
12 Brewers and Distillers (22)	1412.99	+1.1	9.88	3.75	12.49	9.88	3.75	12.49	9.88	3.75	12.49
13 Food Manufacturing (20)	1059.01	-0.5	12.51	5.21	11.92	12.51	5.21	11.92	12.51	5.21	11.92
14 Food Retailing (15)	2215.01	-0.9	9.14	3.43	14.20	9.14	3.43	14.20	9.14	3.43	14.20
15 Health and Household (13)	2518.05	-0.4	7.19	2.75	16.62	7.19	2.75	16.62	7.19	2.75	16.62
16 Leisure (31)	1435.92	-1.3	9.85	4.23	12.54	9.85	4.23	12.54	9.85	4.23	12.54
17 Packaging & Paper (13)	550.54	-0.5	12.53	5.59	10.05	12.53	5.59	10.05	12.53	5.59	10.05
18 Publishing & Printing (16)	1180.78	-1.0	10.11	5.51	12.66	10.11	5.51	12.66	10.11	5.51	12.66
19 Stores (33)	744.13	-0.9	11.64	5.03	11.16	11.64	5.03	11.16	11.64	5.03	11.16
20 Textiles (12)	498.34	-1.2	13.08	7.03	9.63	13.08	7.03	9.63	13.08	7.03	9.63
21 OTHER GROUPS (184)	1121.33	-0.7	10.42	4.92	11.63	10.42	4.92	11.63	10.42	4.92	11.63
22 Agriculture (17)	1572.03	-0.2	10.63	4.63	11.79	10.63	4.63	11.79	10.63	4.63	11.79
23 Chemicals (23)	1217.53	-0.3	12.01	5.36	9.70	12.01	5.36	9.70	12.01	5.36	9.70
24 Conglomerates (13)	1586.11	-0.1	18.26	6.18	11.48	18.26	6.18	11.48	18.26	6.18	11.48
25 Finance (10)	2235.37	-0.1	10.95	4.32	11.63	10.95	4.32	11.63	10.95	4.32	11.63
26 Telephone Networks (2)	1151.39	-0.7	11.03	4.63	11.79	11.03	4.63	11.79	11.03	4.63	11.79
27 Water (13)	1957.93	-0.2	17.80	6.92	6.22	17.80	6.92	6.22	17.80	6.92	6.22
28 Miscellaneous (26)	1864.68	-0.4	9.75	4.43	11.99	9.75	4.43	11.99	9.75	4.43	11.99
29 INDUSTRIAL GROUP (482)	1120.63	-0.4	10.97	4.57	11.14	10.97	4.57	11.14	10.97	4.57	11.14
30 Oil & Gas (18)	2219.97	-0.4	10.99	5.19	12.45	10.99	5.19	12.45	10.99	5.19	12.45
31 ALL-SHARE INDEX (587)	1220.56	-0.4	10.92	4.66	11.31	10.92	4.66	11.31	10.92	4.66	11.31
32 FINANCIAL GROUP (114)	787.14	-0.7	11.41	6.17	6.70	11.41	6.17	6.70	11.41	6.17	6.70
33 Banks (9)	1281.47	-0.3	11.41	6.17	6.70	1281.47	6.17	6.70	1281.47	6.17	6.70
34 Insurance (Life) (7)	1281.47	-0.3	11.41	6.17	6.70	1281.47	6.17	6.70	1281.47	6.17	6.70
35 Insurance (Composite) (7)	1281.47	-0.3	11.41	6.17	6.70	1281.47	6.17	6.70	1281.47	6.17	6.70
36 Insurance (Property) (6)	1281.47	-0.3	11.41	6.17	6.70	1281.47	6.17	6.70	1281.47	6.17	6.70
37 Merchant Banks (6)	1281.47	-0.3	11.41	6.17	6.70	1281.47	6.17	6.70	1281.47	6.17	6.70
38 Property (9)	1281.47	-0.3	11.41	6.17	6.70	1281.47	6.17	6.70	1281.47	6.17	6.70
39 Other Financial (28)	1281.47	-0.3	11.41	6.17	6.70	1281.47	6.17	6.70	1281.47	6.17	6.70
40 Investment Trusts (60)	1165.93	-0.4	11.41	6.17	6.70	1165.93	6.17	6.70	1165.93	6.17	6.70
41 Overseas Traders (5)	1381.31	-0.4	9.34	6.62	12.94	1381.31	6.62	12.94	1381.31	6.62	12.94
42 ALL-SHARE INDEX (587)	1220.56	-0.4	10.92	4.66	11.31	1220.56	4.66	11.31	1220.56	4.66	11.31
FT-SE 100 SHARE INDEX	2250.51	-0.4	10.92	4.66	11.31	2250.51	4.66	11.31	2250.51	4.66	11.31

FIXED INTEREST					AVERAGE GROSS REDEMPTION YIELDS			Wed Mar 21	Tue Mar 20	Year ago (approx.)		
PRICE INDICES	Wed Mar 21	Day's change %	Tue Mar 20	ad adj. today	ad adj. 1990 to date	1 British Government	2 5 years	11.81	11.66	9.41		
British Government	1 Up to 5 years	111.94	-0.28	112.51	0.25	3.41	6 15 years	11.49	11.39	9.02		
	2 5-15 years	116.43	-1.16	117.95	0.15	2.70	3 25 years	11.37	11.27	8.85		
	3 Over 15 years	118.13	-1.62	120.07	-	4.16	4 Medium Coupons	13.16	12.96	10.40		
	4 Irredeemables	137.21	-1.47	139.26	-	1.51	5 15 years	11.74	11.64	9.45		
	5 All stocks	116.72	-0.92	117.97	0.16	3.18	6 25 years	11.50	11.30	9.02		
Index-Linked	6 Up to 5 years	139.87	-0.15	140.08	-	0.94	7 High Coupons	15 years	12.25	12.03	9.68	
	7 Over 5 years	131.14	-0.63	131.97	-	1.05	8 25 years	11.73	11.53	9.22		
	8 All stocks	131.68	-0.59	132.47	-	1.04	9 Irredeemables	11.34	11.17	8.80		
	9 Intenforex & Loans	94.94	-1.44	96.33	-	2.35	10 Index-Linked	11 Inflation rate 5%	Up to 5 yrs.	4.75	4.68	3.32
	10 Preference	76.01	-0.65	76.51	-	1.49	12 Inflation rate 5%	Over 5 yrs.	4.18	4.14	3.46	
Index-Linked	11 Inflation rate 5%	Up to 5 yrs.	4.75	4.68	3.32	13 Inflation rate 5%	Over 5 yrs.	3.87	3.80	2.51		
	12 Inflation rate 5%	Over 5 yrs.	3.87	3.80	2.51	14 Inflation rate 10%	Over 5 yrs.	4.02	3.98	2.51		
	13 Inflation rate 10%	Over 5 yrs.	4.02	3.98	2.51	15 Bonds & Loans	5 years	15.58	15.61	12.21		
	14 Bonds & Loans	5 years	15.58	15.61	12.21	16 15 years	14.46	14.13	11.33			
	15 Bonds & Loans	15 years	14.46	14.13	11.33	17 25 years	13.67	13.44	10.72			
16 Preference	76.01	-0.65	76.51	-	1.49	18 Preference	76.01	-0.65	76.51	-	1.49	

UK COMPANY NEWS

Largest increase in profits from inorganic and organic speciality products

Growth in subsidiaries lifts Laporte 12%

By Clare Pearson

LAPORTE, the speciality chemicals company, yesterday unveiled a 12 per cent increase in pre-tax profits to £107m in the year to end-December. Turnover was up from £516.3m to £516.9m.

Before exceptional items, the profits increase was 17 per cent to £100.3m (£85.6m). The net effect of land disposals and business reorganisations and redundancies last year was a credit of £5.7m, against £9.7m in 1988.

After a slightly lower tax charge at 34.1 per cent (35.5 per cent), earnings per share were 50.4p (43.4p). The final dividend is lifted to 10.7p, making 22.9p (18.9p) for the year.

The result reflected strong growth in the subsidiaries while Interlox, the peroxide business jointly owned with Solvay, resumed profits growth after falling back in 1988.

On the current year outlook, Mr Ken Minton, chief executive, said: "We have a strategy of increasing earnings by about 15 per cent per annum, and I see no reason to change that target."

Laporte's share of Interlox's profits rose to £33m (£31.8m). This was after higher fixed costs associated with capital expenditure to expand hydrogen peroxide capacity in overseas markets.

Interlox enjoyed continued buoyant demand for hydrogen peroxide. The peroxide business revived thanks to a stabilisation of the market penetration of liquid detergents in Europe.

Helped by a big acquisition in Canada, and very strong demand for organic chemicals, the biggest profits increase came in inorganic and organic speciality products. Here pre-tax profits rose to £19.2m (£10.8m) while margins firmed to 20.2 per cent, up from 14.1 per cent.

Absorbents and building and timber products produced pre-tax profits of £12.5m (£11.1m) and £13.9m (£13.1m) respectively. All the smaller subsidiaries, apart from trading, improved profits.

Capital expenditure in subsidiaries, largely funded by internal cash flow, amounted to £23m. Some £41m was spent

on acquisitions. Laporte has this year added to its environmental division with the £23m purchase of Reddish Savilles, a detergents and brewing aids company, from Brent Chemicals International.

COMMENT

It is not hard to see why Mr Minton is sticking firmly to his 15 per cent earnings growth target this year. First it is now clear that, after more than two difficult years, Interlox has turned the corner; there are, indeed, encouraging signs of a trend towards increased use of peroxide-based bleaches in the US. The geographical spread of the company is comforting since two thirds of it is based outside the UK, and is generally spread around the world at that. Aside from these, say, in building products, many of Laporte's customers are hardly in the front line of economic changes; the company continues to make headway in reducing costs. Add to that signs of some recovery this year in electronic chemicals and services and it is easy to see pre-



Dick Dickinson (left), finance director, and Ken Minton — a strategy of increasing earnings by about 15 per cent per annum tax profits, excluding exceptional items, rising to about £113m. Helped by a lower tax charge, earnings should outstrip that

Budgens agrees sale of 51 shops for £12.5m

By Maggie Urry

BUDGENS, the food retailer, has agreed the sale of 51 small shops to Beta Stores, a newly-formed company, for £12.5m plus stock of £2m. The deal will leave Budgens with 92 shops with an average size of 6,600 sq ft.

The sale is in line with Budgens' strategy of concentrating on larger shops in which it can operate its new trading formula.

Of the 51 shops, 75 have now been revamped and Mr John Fletcher, chairman and chief executive, said the remainder will be done over the next few months.

Beta Stores is headed by Mr Tony Sanderson, who was chief executive of Circle K convenience stores until last autumn.

He plans to run the shops, all but one under 4,000 sq ft, as neighbourhood stores.

Beta Stores will have a two-year supply deal with Budgens, enabling it to benefit from Budgens' buying power and its distribution system.

Budgens will receive £10.5m cash and the £2m for the stock initially. The other £2m will be a secured subordinated loan to Beta Stores, repayable by 1994.

Mr Fletcher said the sale would reduce Budgens' debt, which is about £22m, reducing the group's gearing level perhaps to under 50 per cent by the April year end.

He is also hopeful of raising money from the group's old depot in Rushlip, west London.

He said the effect of the sale on Budgens' profits would be slightly negative in the short term, but the smaller stores were less profitable than the larger ones, and profits would be boosted in the longer term.

There should be no significant property profits on the sale.

Beta Stores is being financed by £4.75m of equity capital underwritten by Lloyd's Development Capital and a £7m loan from Bank of Scotland.

Budgens will have an option to buy 5 per cent of Beta Stores if it is taken over or goes public.

Rosehaugh £125m rights success with 96.9% acceptances

By Paul Cheeseright, Property Correspondent

ROSEHAUGH's plea for a cash injection of £125m from its shareholders was answered yesterday when it was announced that acceptances for its deeply discounted one-for-one rights issue reached 96.9 per cent.

The balance — 1.9m ordinary shares not taken up — have been sold in the market at a premium.

The rights issue, a symptom of the financial pressure faced by highly geared property companies from current interest rates and quieter demand for space, staves off Rosehaugh's immediate liquidity problems.

Borrowings on the balance sheet will be reduced from £410m to £285m and could be cut back further if property sales are made.

Also Rosehaugh, at the centre of a sprawling web of asso-

ciates and subsidiaries, has been tightening up its management.

Although some City analysts doubt whether the cash infusion is adequate, Rosehaugh has been saying that it remains comfortable even if it does not sell another property for a year. Speculation that Rosehaugh will at some stage sell its share of the Broadgate office complex in the City to Stanhope Properties, its joint venture partner, refuses to go away.

The rights issue was priced at 200p per share, compared with 465p just before the issue announcement. The price was pitched at a level at which it would have been difficult for the institutions not to buy and the issue was not underwritten. Yesterday the shares gained 2p to 252p.

Pembroke sells DRG's cartons side to Manville

By Vanessa Houlder

PEMBROKE INVESTMENTS, the Bermuda-based vehicle that last year took over DRG, the paper and packaging company, has agreed to sell the cartons business to Manville Corporation, the US building materials and forest products group, for an undisclosed sum.

This is the third sale announced by Pembroke since it took over DRG in a contested £697m bid last November. It intends to sell off all the subsidiaries except the speciality packaging businesses.

Mr Martin Franklin, who is directing Pembroke's divestment programme, said that Manville would give the business the commitment and investment it needed to compete effectively in the European market.

Manville said that DRG Cartons would help it expand the international marketing position of Manville Forest Products subsidiary. It said it would retain the existing management and continue with present equipment conditions.

DRG Cartons, which is the third largest folding carton

company in the UK, has sales of about £38m. It employs 620 people in Bristol and serves the frozen food, confectionery and detergent markets.

In the last fortnight Pembroke has also announced the sale of Papeterie de la Couronne, a French envelope maker, to funds advised by LBO France. Spectral Technology Group, a ultraviolet lamp and print-drying specialist, has been sold to a consortium consisting of some of its management and those of Colortory, a rival print-drying specialist.

Manville, which is primarily involved in fibreglass and forest products, has been seeking opportunities in Europe partly because of the weaker prospects for the US construction industry. It has also been focusing on the packaging industry because of its fragmented nature.

Manville emerged from Chapter 11 bankruptcy proceedings in November 1988 and is now 80 per cent owned by trusts set up to pay asbestos-related claims that caused the 1982 bankruptcy filing.

High interest rates peg Mowat to £854,000

By Andrew Hill

HIGH INTEREST rates hit profits at Mowat Group, the USM-quoted property and leisure company, in the six months to December 31, when it made £254,000 before tax.

Mowat has changed its year-end to June 30, making comparison with the last reported interim period difficult. In the six months to September 30 1988, the group made £2.04m before tax.

However, Mr Brian Taylor, chairman, said yesterday that although operating profits had risen in the first half, interest charges of £2.35m had cut the pre-tax figure by about half on a like-for-like basis. In the previous reported six-month period interest charges were £1.08m.

Turnover was £14.8m, against £13.6m, and earnings per share were 0.64p (1.63p). The unchanged interim dividend of 0.5p was declared.

Mr Taylor said that in spite of the downturn in residential and commercial property, the demand for rental property had remained buoyant and Perglow Homes, Mowat's housing subsidiary in the north-west of England, had continued to enjoy record levels of public interest.

"We have taken the same hit that everybody else has from interest rates, but our operating margins have held up very satisfactorily," he said.

Mr Taylor said Mowat's holiday parks were well placed to take advantage of the surge in the UK holiday market. Revenue was already up by more than 70 per cent in the current season, he said.

The board had estimated the asset backing of the company at about 70p per share, added Mr Taylor, compared with yesterday's closing price of 32p, down 1p.

Fleming plans to convert fund

By Nikki Tait

IN AN unusual reversal of normal trends in the investment trust sector, Robert Fleming, the investment banking and fund management group, yesterday announced plans to turn one of its offshore open-ended funds into a listed investment trust.

Fleming said that it believed this was the first time that an open-ended fund — where new units are issued regularly to investors wishing to put money into the fund and bought back from those wanting to sell — had been turned into a closed-end trust, where the capital structure is fixed.

There have, by contrast, been many moves in the opposite direction, as fund managers and predators have tried to eliminate the traditional investment trust discount.

The price of units in an open-ended fund is directly related to the underlying net

asset value, whereas the price of investment trust's shares can vary significantly from this figure.

Fleming conceded that the circumstances in this case are unusual. The open-ended fund, Fleming European Fledgling Fund, specialises in holding stakes in smaller European companies and this policy will be continued once it becomes an investment trust.

In contrast to many investment trusts, specialist European funds have tended to trade close to, or even at a premium to, underlying net assets.

Fleming claims that this enthusiasm for European trusts did not exist when it launched the fund in 1987. It would, therefore, have been difficult to launch a new closed-ended vehicle at that stage.

Now, fund managers say that they see an advantage in having a stable investment portfolio, which will not have

to adapt to regular inflows and outflows of money.

This is partly because the fund is already invested in some relatively illiquid stocks and markets, and also because fund managers anticipate investment opportunities in unquoted securities in eastern Europe.

To effect the change, the open-ended fund — which had assets of \$50.3m (£31.5m) at March 15 — will be put into liquidation. It will then be acquired by the newly-formed trust company, which will issue shares and warrants to investors.

Investors will receive five shares and one warrant — exercisable into one share at 100p between 1994 and 1997 — in the new trust for every 500p of net assets attributable to their existing holdings. No new money is being raised in the process.

The shares of the new trust will be introduced to the market on April 24.

This announcement appears as a matter of record only

MITHRAS
Investment Trust plc

£66,000,000

An issue of up to £60,000,000 loan stock 1990-2010 and £6,000,000 share capital will be subscribed in equal proportions by

The Founders

BANQUE INDOSUEZ

P-B Interfunding (UK) Limited

a subsidiary of The Prudential Insurance Company of America

Financiere Indosuez S.A./Indosuez Finance (UK) Limited
Legal and General Assurance Society Limited
P-B Interfunding (UK) Limited



MITHRAS will invest in mezzanine loans and equity participations, mainly in unquoted companies.

In addition, the Founders' groups each have the capability to invest in mezzanine loan facilities, equity and debt participations in excess of their commitments to MITHRAS.

MITHRAS will not apply for a listing on The International Stock Exchange until it has invested a substantial proportion of its funds.

Manager

Legal & General Ventures Limited

This announcement has been issued by Legal & General Ventures Limited, a member of IMRO, and Financiere Indosuez Limited and P-B Interfunding (UK) Limited, members of TSA.



E. D. & F. MAN LIMITED

\$250,000,000

3 Year Extendable Revolving Credit Facility

Arranged by
Chemical Bank

Provided by

Banque Nationale de Paris p. l. c.

Barclays Bank PLC.

Bayerische Vereinsbank Aktiengesellschaft, London Branch

The Chase Manhattan Bank, N.A.

Chemical Bank

Citibank, N.A.

Crédit Agricole, London Branch

The Hongkong and Shanghai Banking Corporation Limited.

National Westminster Bank PLC

Rabobank Nederland, London Branch

Societe Generale, London Branch

Union Bank of Switzerland, London Branch

Amsterdam-Rotterdam Bank N.V., London Branch

Bankers Trust Company, London

Bank Mees & Hope NV

Bank of America NT & SA

Banque Francaise du Commerce Extérieur, London Branch

Banque Indosuez

BHF-BANK, London Branch

CIC-Union Européenne, International et Cie, London Branch

Creditanstalt-Bankverein, London Branch.

NMB Postbank Groep NV, London Branch

Swiss Bank Corporation

Agent

Chemical Bank

CHEMICAL INVESTMENT
BANK BANKING

This announcement appears as a matter of record only.

March 1990

This announcement appears as a matter of record only.

US\$50,000,000



Banamex
Banco Nacional de México

Interbank Deposits Securitization

The undersigned structured, arranged and provided the senior financing for this transaction.



FIRST CHICAGO
The First National Bank of Chicago

Business and Investment in Eastern Europe and the USSR

A major international conference will be held on this topic on April 5-6 at the May Fair Inter-Continental Hotel in London. First day includes a reception and dinner; second day, there will be an embassy reception for conference - goers. Price is £495 for one attendee and £295 for each additional attendee (VAT not included).

Speakers include: Dr. Janos Martonyi, State Comm'n for Privatization, Hungary; Mr. Z. Piotrowski, President, Polish Foreign Investment Agency; Lev Weinberg, Chairman, USSR Joint Venture Assoc; Dmitri Pankin, USSR Ministry of Foreign Affairs; Dr. Istvan Tompa, Deputy Minister of Finance, Hungary; Janusz Kaczmarek, Undersecretary of State, Ministry of Foreign Trade, Poland; Dr. Janos Lukacs, Institute of Sociology, Hungarian Academy of Sciences; Dr. Filippo Lombardo, Mg. Dir., Preindustria SpA; Peter Rosa, Pres. and CEO, IBI Schroder; additional speakers from Russia, Czechoslovakia, Hungary and Poland; and a number of other financial and business experts.

Sponsors: Morgan Grenfell; Inter-Continental Hotels; Jones, Day, Reavis & Pogue; Brown Univ. Ctr. for Foreign Policy Development; and International Executive Reports.

To register or for information contact Alison Nield at Morgan Grenfell in London, phone (1) 826-7053, or fax (1) 826-7130; or contact Mary Saba, conference coordinator, phone (in USA) (301) 983-3149, or fax (202) 628-6618.

FINANCIAL & PROFESSIONAL SERVICES IN S.E. WALES

The Financial Times proposes to publish this survey on: **11 APRIL 1990**

For a full editorial synopsis and advertisement details, please contact:

Clive Radford on (0272) 292565

or write to him at:

Merchants House

Wapping Road

Bristol

BS1 4RW

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

UK COMPANY NEWS

Red meat blamed for fall in Bernard Matthews profit

By Clay Harris, Consumer Industries Editor

BERNARD MATTHEWS, the turkey and meat products group, yesterday reported pre-tax profits of £9.11m for 1989, the third consecutive year in which profits have fallen.

The Norfolk-based company is raising its final dividend to 2p to make a total of 3p (2.5p), even though with earnings per share at 4.5p (3.33p), this reduces cover to 1½ times.

Mr David Joll, chief executive, said the higher dividend reflected "cautious optimism" about the current year.

The 11 per cent decline in profits from £10.24m came on turnover only £550,000 higher at £135.76m. The company's sales have been stuck within 1m of this figure since 1988.

Mr Bernard Matthews, chairman, said sales and profits from turkey meat and added value products rose in the year in spite of a significant first-half decline in demand because of food scares. Red meat was responsible for the fall in profit.

The company is trying to emulate the success of its turkey mini-Kiev with similar fish-based products launched earlier this month. They are Golden Fishies, a fish-shaped fish finger, and Sea Pearls, a

crumbed fish filled with sauce.

The interest charge nearly doubled to £1.08m (£0.58m), but borrowing had been eliminated by the end of the year, Mr Joll said. The tax charge rose from 34.3 to 37.8 per cent.

Mr Joll said Matthews had no intention to irradiate its turkey meat once the process is approved by the Government. The company was influenced above all by marketing concerns, and the overwhelming evidence was that consumers did not want to buy irradiated meat, he said. Its own flocks were not infected with salmonella or listeria, he added.

COMMENT

After unsuccessful detours, Bernard Matthews has returned to the business it knows and does best: the integrated production of turkey from egg to sauce-filled fillets. This gives every reason to believe that it has turned the corner after the disappointments of the late 1980s. On whole birds, the weakest sector in the turkey business last year, Matthews was hurt by the death throes of Butterball.

Dolphin warns of downturn after gales

By Clay Harris, Consumer Industries Editor

DOLPHIN MEDIA, the outdoor poster contractor, said sales in January and February demolished 10 per cent of its advertising panels, mainly in London and south-east England.

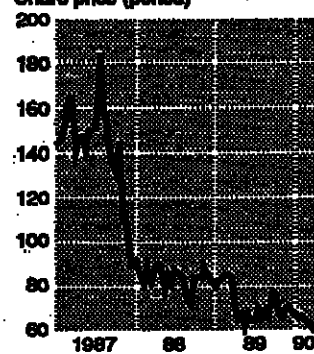
As a result of this damage, coupled with the lower demand for advertising, profits in the six months to March 31 would be severely

reduced and fall below the £107,000 trading result reported at the interim stage in 1989-90.

Dolphin is the third largest UK contractor for 48-sheet (20ft wide by 10ft high) posters after MAI and Arthur Maiden. The Manx company's shares are traded on a matched-basis basis under Rule 835(2).

Bernard Matthews

Share price (pence)



This was not an underground Disney film, but how Mr David Lang of Henderson Crosthwaite describes the disruptive pricing of a competitor which has since been bought and had its processing plant closed by Eddystone Holdings. Assuming pre-tax profits of £1.5m this year, the shares stand on a prospective p/e of just under 11. The main task in 1990 will be to blast sales away from their four-year plateau. This will require heavy advertising spending, so costs will have to be attacked elsewhere.

Britannic buoyed by pensions and equity markets

By Patrick Cockburn

THE SURGE in pensions and the strong performance of equity markets in 1989 were behind a 15 per cent improvement to £15.38m in net profits at Britannic Assurance, the home service life insurer.

The dividend for the year is increased 25 per cent from 14.5p to 18.1p, a proposed final of 14.35p (11p).

"We've had a good year because of the growth in personal pensions and because a very high proportion of our assets are in equities," said Mr Brian Shaw, general manager, of last year's results.

He said that Britannic's dividend increase was determined by its results rather than fear of a bid. However speculative interest looks likely to guarantee dividend growth in future.

Following the lead already given by Prudential and Regus, Britannic said it was raising the proportion of surplus going to shareholders, as opposed to policyholders, towards 10 per cent over the next few years.

Given its size, Britannic has been highly successful in selling its new-style personal pensions, though it does not expect the growth seen over the last two years to continue at the same level in 1990.

The company's 3,200 full-time agents based in 550 local offices give it a good and dependable distribution network. It is therefore free of the worries of companies traditionally more reliant on independent intermediaries to sell their product.

Mr Shaw also made the point that Britannic has 70 per cent of its £3bn assets in equities, a higher proportion than for almost any other insurance company.

As a home service insurer Britannic in many ways resembles Pearl Group, taken over by Australian Mutual Provident last year. But with 30 per cent of its shares in friendly hands and a generous dividend policy, the chances of a successful bid look considerably thinner.

The company's small general insurance business produced an underwriting profit of £764,000 last year. Early indications show that net cost of the January and February storms may amount to £1.5m.

Net premium income was £287.8m (£198.4m), almost all the increase coming in the ordinary branch where premiums doubled to £124.3m. Earnings grew to 24.5p (£15.5p) per share.

Grampian in W German buy

Grampian Holdings has acquired Meca, an animal health business situated in Goch, West Germany.

The purchase consideration was DM5.57m (£1.96m) cash. Of the total, DM3.25m was paid on completion with the balance of DM2.32m being paid interest free in two equal instalments on the first and second anniversaries.

For the year to December 31 last, Meca had a turnover of DM10.15m and pre-tax profits of DM346,500.

Net assets at that date amounted to DM1.1m. Mr Bill Hughes, Grampian's chairman, said the acquisition was a first step in a European development programme.

NEWS DIGEST

43% rise at Tibbett & Britten

TIBBETT & Britten Group, which provides transportation and distribution services to the clothing and retail industries, reported a 43 per cent improvement in profits in 1989.

On turnover up 48 per cent at £101.7m (£68.67m), taxable profits climbed to £9.06m (£6.32m). Interest payable fell to £76,000 (£700,000). Earnings grew to 18.7p (15.3p) and the final dividend is raised to a recommended 5.1p for a total of 7.5p (6p) for the year.

Tibbett said that its net asset value at the year-end was more than £40m (£18m) and that at that time the cash balance was £5.9m and gearing less than 14 per cent.

World of Leather plunges into losses

In common with other retailers, particularly in the furniture sector, World of Leather experienced a difficult trading year. From profits of £2.08m, it tumbled to losses before tax of £88,000.

The USM-quoted company said that high interest rates

had caused a decline in consumer spending, resulting in turnover slightly down at £22.16m (£23.34m). It added that the difficult trading conditions had continued into 1990.

Losses per share were 0.8p (earnings 16.8p) and the proposed final dividend is a sharply reduced 0.8p (3.7p) for a total of 1.6p (4.5p) for the year.

English & Scottish net assets increase

English & Scottish Investors increased net assets per share to 188.1p at the end of January 1990, against 147.3p a year earlier.

Net revenue for the year rose from £2.48m to £2.66m, after tax of £1.02m (£1.05m). Earnings per 25p share were 3.29p (3.3p) or 3.36p (3.05p) fully diluted. Last month, the company announced a second interim dividend of 2.1p (1.85p) for a total of 2.75p (2.5p).

Gross revenue climbed from £4.46m to £5.79m.

Modest advance for Hibernian

Hibernian Group, the Dublin-based insurance group, raised pre-tax profits by a modest 5 per cent from £13.07m to £13.68m (£13.4m) in 1989.

Premium income grew 14 per cent to £126.57m (£110.97m), while underwriting losses increased from £10.22m to £10.43m. There had been some seasonal weather claims and serious losses in the motor account in Ireland.

In the short term, motor underwriting in Ireland was expected to remain difficult.

Investment income rose to £24.11m (£22.29m). After tax of £25.58m (£24.24m), earnings per share were 15.3p (13.6p). The proposed final dividend is 3.2p for a total of 4.8p (4.3p) for the year.

Interest rates hit Arcoelectric

Arcoelectric, which makes electric switches and neon signal lamps, went sharply into reverse last year with pre-tax profits tumbling from £819,940 to £217,225 on turnover marginally lower at £9.79m, compared with £10.16m.

Indication of the downward trend could be seen in the October interim report and Mr Rodney Collier, chairman, said that profits in the year to December 31 suffered from high interest rates and increased overheads.

After tax of £66,299 (£208,675) earnings per share emerged at 2.26p (6.04p); the dividend total is maintained at 0.56p with a proposed final of 0.49p (0.52p).

Are your staff a bunch of know-nothing amateurs?

Think about it	geared up purely and simply to gather	For just 35p per working day, our
Each one of your people has been	information on your behalf. We have a	team of expert researchers will
hand-picked, trained at your expense	team of experienced researchers who	monitor information about five
and well paid to do a job of work.	are as well read a bunch of people as	companies of your choice which
But how much do they really	you could ever wish to meet.	appear in over 60 publications
know?	They read The Financial Times,	worldwide.
Could they tell you (to a percentage	they read the Guardian, the	Facts, figures, background
point or two) your major competitor's	Economist and Investor's Chronicle.	information. Even the occasional juicy
market share?	They read Newsweek, they read The	rumour.
Are they au fait with international	Times and the Wall St. Journal. Then,	Every week we collate, index and
developments? Are they clued up on	when they've finished those, they go	cross-reference over 3,000 articles
your customers' company reports.	on to read all the etceteras and so-ons	and print them on a set of handy
The chances are, they're not.	you could possibly think of. (As well	cards.
But to be fair, that's not what you	as some which may never have	Turning your staff overnight from a
pay your staff to do. You pay them to	crossed your mind - let alone crossed	bunch of know-nothing amateurs to a
manage, to make decisions, to do their	your desk.)	group of insufferable know-alls.
jobs to the best of their abilities.		
And nowhere in their job		
descriptions does it say anything		
about sitting down - for hours on end		
- reading through newspapers,		
periodicals and business publications		
simply to keep in touch.		
It's not their job. But it is ours.		
We at McCarthy Information are		

Don't be a don't know.

COMPLETE THIS COUPON AND SEND IT TO MICHAEL RIDGWAY, MCCARTHY INFORMATION LTD, MANOR HOUSE, ASH WALK, WARMINSTER, WILTSHIRE BA12 8PY, U.K. TEL: 0985 215151.

PLEASE SEND ME DETAILS OF MCCARTHY INFORMATION SERVICES.

NAME _____
JOB TITLE _____
COMPANY _____
ADDRESS _____
COUNTRY _____
TEL _____

McCarthy Information Services

This announcement appears as a matter of record only

gamma holding n.v.

Helmond, Nederland

has acquired a majority shareholding in

TEXTILES

de witte lietaer

The undersigned acted in this operation as financial advisor to Gamma Holding

Generale Bank

March 1990

UK COMPANY NEWS

Tate gives commitment to cane sugar refining

By Clay Harris, Consumer Industries Editor

A TAKEOVER of British Sugar by Tate & Lyle could be subject to the condition that Tate continues to refine cane sugar at its current level of 1.1m tonnes a year, according to the World Development Movement, a Third World lobbying group.

Tate and Berisford International, parent company of British Sugar, are engaged in talks about a possible takeover bid. Tate is trying at present to ascertain the value and potential liabilities of Berisford's troubled non-sugar investments.

The WDM's concern about the potential effect of a merger on cane growers in African, Caribbean and Pacific (ACP) countries was expressed in a response from Tate yesterday.

Mr Neil Shaw, chairman, said: "Regardless of what happens in the future, Tate's commitment to cane sugar and the ACP quota into Europe is unchanged and will remain unchanged." In a statement on



Neil Shaw: Tate & Lyle chairman

the talks between the two companies, the WDM said the UK sugar market was already in a state of monopoly because of European Community quotas and pricing policy which determined margins directly for beet processors like British Sugar and indirectly for cane

refiners like Tate. The WDM said: "EC sugar is a highly political industry encompassing a long-standing political commitment to the developing world. If Tate & Lyle is willing to accept the profits that political pricing generates for British Sugar, then it must also accept the political commitment to the ACP that cane refining entails."

The London-based lobby group described Tate's courtship of Berisford as an attempt to relieve pressure on the profitability of its cane refining operations rather than to establish a monopoly in the UK, where the two together control 84 per cent of the supply. It argued that there was little scope for additional cost-cutting in a merged company, and - as Tate also does - that the threat of imports from continental Europe and overseas by Brussels would prevent predatory pricing.

Holmes à Court lifts RUG stake to 4.64%

By Andrew Hill

MR ROBERT Holmes à Court has lifted his stake in Really Useful Group, which owns the copyright to Mr Andrew Lloyd Webber's most recent musical, to 4.64 per cent. He was buying further shares in the market yesterday.

The Australian financier has been building a strategic shareholding in the company, in spite of the fact that the composer is taking RUG private.

Mr Holmes à Court spent nearly £244,000 on Monday buying shares at 239p and 238p, compared with Mr Lloyd Webber's 239p per share offer. The stake is held through Stoll Moss Treasuries, a subsidiary of Mr Holmes à Court's private vehicle Heytesbury (UK), and is worth about £3.7m at those prices.

Mr Lloyd Webber already owns or controls more than 63 per cent of RUG, having launched an offer in February. He needs to win acceptances representing just over 94 per cent of the equity to be able to mop up the outstanding minority holdings compulsorily.

Mr Holmes à Court is not prepared to comment on the reasons for his involvement, but he is apparently happy to hold on to the stake as a bargaining counter, even if RUG eventually loses its stock market listing.

Ifico £0.34m in the red

Ifico, the commercial insurance broker, announced pre-tax losses of £235,000 for the six months to December 31 against £1.5m profits.

Directors said group revenues were severely damaged by the involvement with Fairview Securities, sold last March. However, the management of the group's principal remaining operation, FMW Holdings, which had started negotiating for a management buy-out, had agreed there was scope for developing it within the company. The directors would concentrate resources on this business.

Turnover fell to £1.17m (£2.28m). There was an exceptional £464,000 debit, losses per share were 1.04p (2.78p earnings). An extraordinary £77,000 (£3.45m) charge arose from ongoing litigation costs.

Switch from defence helps Bowthorpe rise

By Jane Fuller

THE EFFORTS of Bowthorpe, the electrical and electronic components group, to switch its activities away from defence and into a growing number of countries helped it to an 11 per cent increase, to \$44.6m, in pre-tax profits for 1989.

A 25 per cent rise in turnover, to £231.45m, was matched at the trading stage. But a cut in income from a fire insurance claim, flat profits from related companies and a near halving of interest received dimmed progress at the operating and pre-tax levels.

About half the growth came from acquisitions, on which the group spent £12.5m last year.

In the UK, operating profit fell by 9 per cent (partly because of the insurance factor) to £12.2m on sales up 9 per cent to £107.7m. More than 25 per cent was exported.

Mr John Westhead, manag-

ing director, said the difficulties had arisen from flat markets in defence, white goods and telecommunications. However, he stressed that overall, defence now accounted for only 15 per cent of sales and less than 10 per cent of profit.

Bowthorpe's geographic expansion - it now operates in 20 countries - gives the following breakdown of the sources of its orders: 37 per cent UK, 27 per cent continental Europe, 30 per cent America and 6 per cent the rest of the world.

The UK's profit contribution was overtaken by the £13.4m achieved in the rest of Europe. Mr Westhead singled out the potential of WAGO, based in West Germany and operating in four other countries, which makes screwless connection devices for such products as computer terminals.

The US showed a £2.7m

profit increase to £9.6m. This benefited from acquisitions, including the first full year of Thermalloy which makes heat-sinks for cooling electronic equipment.

The biggest increase came from the rest of the world, where operating profit grew 60 per cent to £5.9m. Mr Westhead said the company was building up its presence in Japan, largely through joint ventures.

Earnings per share improvement - up just 1p to 16.33p - was limited because much of last year's growth was in companies with significant minority interests.

A final dividend of 3.59p makes a total of 5p (4p).

COMMENT

For a company founded out of a football team in 1936, its record shows none of the dramatic ups and downs characteristic of that sport. It has

never made a loss and in the past five years has more than doubled sales and pre-tax profit. Growth is, however, being hampered by the sagging defence sector and flat UK markets; and the dividend increase is something of a palliative for this. Yet the goal remains to double again in the next five years - mostly by organic growth rather than acquisition. If it achieves this it will be by continuing its admirable management of far-flung, but coherent, operations and by producing essential "medium-tech" widgets for each successive wave of electronic goods. Overseas, its platform in West Germany - 30 per cent of sales are there - looks particularly promising. A profit forecast of £48m and a share price up to 178p (against a falling market) gives a prospective p/e of less than 10, relatively low by this company's standards.

Swedish company plans to raise £15m via UK flotation

By Clare Pearson

INTRUM JUSTITIA, a Sweden-based debt collection company, plans to raise up to £15m when it joins the London stock market, a move which is scheduled for June.

In spite of the relatively small amount of money being raised, Intrum is contemplating issuing the new shares by

way of an offer for sale rather than a placing with institutional investors.

Intrum is considering the former route because it believes it would help to raise its profile in the UK and promote the Justitia name.

The new money, between £10m and £15m, is expected to

be used for acquisitions particularly in West Germany, France and the Netherlands.

But Mr Gert von Laar, finance director, said it would be raised even if no acquisition opportunities were immediately targeted as part of a plan to expand Intrum's shareholder base.

Intrum expects to float at a market capitalisation, not taking into account the issue new shares, of about £65m.

It claims to be the biggest European company in the highly fragmented business-to-business debt collection industry, which it said gives it an advantage in cross-border as well as domestic collection. It also claims, following the acquisition last year of Unicol, a London-based debt recovery and export insurance concern, to be the biggest player in the UK market, commanding about 3 per cent of the total.

With the average business debt in the UK now more than 40 days overdue, Intrum sees considerable potential demand for its services. Results for 1989, announced yesterday, showed pre-tax profits of £4.84m (£2.94m) on turnover of £57m (£25.1m).

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY: Index of industrial production, manufacturing output (1985=100); engineering orders (C billion); retail sales volume (1985=100); retail sales value (1985=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Ind. prod.	Eng. ord.	Retail sales	Unemp.	Vacs.
1989					
1st qtr.	108.7	119.5	105.3	121.9	105.4
2nd qtr.	108.7	119.5	105.3	121.9	105.4
3rd qtr.	108.7	119.5	105.3	121.9	105.4
4th qtr.	108.7	119.5	105.3	121.9	105.4
1990					
1st qtr.	111.1	119.5	105.3	121.9	105.4
2nd qtr.	111.1	119.5	105.3	121.9	105.4
3rd qtr.	111.1	119.5	105.3	121.9	105.4
4th qtr.	111.1	119.5	105.3	121.9	105.4
1991					
1st qtr.	111.1	119.5	105.3	121.9	105.4
2nd qtr.	111.1	119.5	105.3	121.9	105.4
3rd qtr.	111.1	119.5	105.3	121.9	105.4
4th qtr.	111.1	119.5	105.3	121.9	105.4

OUTPUT: By market sector: consumer goods, investment goods, intermediate goods (materials and semi); engineering output, retail manufacturers, food, health and clothing (1985=100); housing starts (000s, monthly average).

	Consumer goods	Investment goods	Intermediate goods	Eng. output	Retail manufacturers	Food, health and clothing	Housing starts
1989							
1st qtr.	111.7	102.7	105.3	111.5	105.3	105.3	28.7
2nd qtr.	111.7	102.7	105.3	111.5	105.3	105.3	28.7
3rd qtr.	111.7	102.7	105.3	111.5	105.3	105.3	28.7
4th qtr.	111.7	102.7	105.3	111.5	105.3	105.3	28.7
1990							
1st qtr.	111.7	102.7	105.3	111.5	105.3	105.3	28.7
2nd qtr.	111.7	102.7	105.3	111.5	105.3	105.3	28.7
3rd qtr.	111.7	102.7	105.3	111.5	105.3	105.3	28.7
4th qtr.	111.7	102.7	105.3	111.5	105.3	105.3	28.7
1991							
1st qtr.	111.7	102.7	105.3	111.5	105.3	105.3	28.7
2nd qtr.	111.7	102.7	105.3	111.5	105.3	105.3	28.7
3rd qtr.	111.7	102.7	105.3	111.5	105.3	105.3	28.7
4th qtr.	111.7	102.7	105.3	111.5	105.3	105.3	28.7

EXTERNAL TRADE: Index of export and import volume (1985=100); visible balances current balance (bn); all balance (bn); terms of trade (1985=100); visible trade.

	Export volume	Import volume	Visible balance	Current balance	All balance	Terms of trade	Reserve (US\$bn)
1989							
1st qtr.	112.8	112.8	-0.000	-0.000	-0.000	98.4	50.40
2nd qtr.	112.8	112.8	-0.000	-0.000	-0.000	98.4	50.40
3rd qtr.	112.8	112.8	-0.000	-0.000	-0.000	98.4	50.40
4th qtr.	112.8	112.8	-0.000	-0.000	-0.000	98.4	50.40
1990							
1st qtr.	112.8	112.8	-0.000	-0.000	-0.000	98.4	50.40
2nd qtr.	112.8	112.8	-0.000	-0.000	-0.000	98.4	50.40
3rd qtr.	112.8	112.8	-0.000	-0.000	-0.000	98.4	50.40
4th qtr.	112.8	112.8	-0.000	-0.000	-0.000	98.4	50.40
1991							
1st qtr.	112.8	112.8	-0.000	-0.000	-0.000	98.4	50.40
2nd qtr.	112.8	112.8	-0.000	-0.000	-0.000	98.4	50.40
3rd qtr.	112.8	112.8	-0.000	-0.000	-0.000	98.4	50.40
4th qtr.	112.8	112.8	-0.000	-0.000	-0.000	98.4	50.40

FINANCIAL: Money supply M0, M2 and M4 (annual percentage change); bank sterling lending to private sector; building societies' net inflow; consumer credit; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M2 %	M4 %	Bank lending	Building societies' net inflow	Consumer credit	Base rate %
1989							
1st qtr.	7.7	10.3	17.8	+10.000	2,100	+805	12.75
2nd qtr.	7.7	10.3	17.8	+10.000	2,100	+805	12.75
3rd qtr.	7.7	10.3	17.8	+10.000	2,100	+805	12.75
4th qtr.	7.7	10.3	17.8	+10.000	2,100	+805	12.75
1990							
1st qtr.	7.7	10.3	17.8	+10.000	2,100	+805	12.75
2nd qtr.	7.7	10.3	17.8	+10.000	2,100	+805	12.75
3rd qtr.	7.7	10.3	17.8	+10.000	2,100	+805	12.75
4th qtr.	7.7	10.3	17.8	+10.000	2,100	+805	12.75
1991							
1st qtr.	7.7	10.3	17.8	+10.000	2,100	+805	12.75
2nd qtr.	7.7	10.3	17.8	+10.000	2,100	+805	12.75
3rd qtr.	7.7	10.3	17.8	+10.000	2,100	+805	12.75
4th qtr.	7.7	10.3	17.8	+10.000	2,100	+805	12.75

INFLATION: Index of earnings (1985=100); basic materials and basic wholesale prices of manufactured products (1985=100); retail prices and food prices (Jan 1987=100); Retailers commodity index (1987=100); trade weighted value of sterling (1975=100).

	Earnings	Basic materials	Wholesale prices	RPI	Food	Retailers' index	Sterling
1989							
1st qtr.	105.6	105.6	111.0	105.7	105.6	1,707	75.5
2nd qtr.	105.6	105.6	111.0	105.7	105.6	1,707	75.5
3rd qtr.	105.6	105.6	111.0	105.7	105.6	1,707	75.5
4th qtr.	105.6	105.6	111.0	105.7	105.6	1,707	75.5
1990							
1st qtr.	105.6	105.6	111.0	105.7	105.6	1,707	75.5
2nd qtr.	105.6	105.6	111.0	105.7	105.6	1,707	75.5
3rd qtr.	105.6	105.6	111.0	105.7	105.6	1,707	75.5
4th qtr.	105.6	105.6	111.0	105.7	105.6	1,707	75.5
1991							
1st qtr.	105.6	105.6	111.0	105.7	105.6	1,707	75.5
2nd qtr.	105.6	105.6	111.0	105.7	105.6	1,707	75.5
3rd qtr.	105.6	105.6	111.0	105.7	105.6	1,707	75.5
4th qtr.	105.6	105.6	111.0	105.7	105.6	1,707	75.5

*Not seasonally adjusted.

†See changes in amounts outstanding, excluding bank loans.

COMPANY NOTICES

NOTICE TO HOLDERS OF EUROPEAN DEPOSITORY RECEIPTS (EDRS) IN PIONEER ELECTRONIC CORPORATION

Notice is hereby given that a free distribution of shares to be made to shareholders in the ratio of 0.1 share for each Y 50 share held by them as of record date 31st March, 1990. Should these shares be distributed to the shareholders of less than one (1) full share, the number of shares equal to the aggregate of such fractions shall be sold on the market and the proceeds from such sale shall be distributed to the shareholders entitled thereto in proportion to the fraction to which they are entitled.

Holders of European Depositary Receipts may obtain the new shares against presentation of coupon no. 2 to the Depository or the Depository's Agent at 21st May, 1990 (Tokyo time).

PUBLIC NOTICE OF RECORD DATE

Notice is hereby given that (1) with respect to the shares issued and outstanding as of 31st March, 1990, shareholders whose names appear on the register of shareholders as of 31st March, 1990 (Tokyo time) shall be entitled to the new shares to be issued on 31st May, 1990, and (2) with respect to the new shares to be issued on 31st May, 1990, shareholders whose names appear on the register of shareholders at the time of issue of such new shares shall be the shareholders who are entitled to exercise the rights of shareholders at the Company's 44th Ordinary General Meeting of Shareholders to be held in late June, 1990.

Pioneer Electronic Corporation

4-1 Maruyama 1-Chome, Maruyama-cho, Tokyo 160, Japan
Depository: Bank of Tokyo International Limited, London
Agent: The Bank of Tokyo (Luxembourg) S.A., Luxembourg
22nd March, 1990

TIME ASSURANCE SOCIETY

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Society will be held at Central Gardens, 40, Union Street, Oldham, Greater Manchester, OL1 1DT on Wednesday, 11th April, 1990 at 11.00 am. Agenda:

- To receive any apologies for absence.
- To read the Notice of Meeting.
- To approve the Minutes of a Special General Meeting held on 22nd December 1989.
- To approve the Minutes of the last Annual General Meeting held on 22nd December 1989.
- To receive and adopt the Report of the Committee of Management, and the Accounts for the year ended 31st December 1989.
- To receive and adopt the Report and recommendations contained in the Auditors' Valuation of Funds as at 31st December 1989.
- To elect Member(s) to the Committee of Management.
- To re-appoint Auditors and authorize the Committee of Management to fix their remuneration.
- To consider any other allowable business.

By order of the Committee
D.J. REES
Secretary

NOTICE TO HOLDERS OF EUROPEAN DEPOSITORY RECEIPTS (EDRS) IN JAFECO JAPAN ASSOCIATED FINANCE CO., LTD

The Company has authorized issuance of new shares in the ratio of 1 new share for 5 old shares held as of record date 31st March, 1990.

Holders of European Depositary Receipts may obtain the new shares against presentation of coupon no. 3 to the Depository or the Depository's Agent at a date to be announced.

The new EDRs will be issued in the denomination of 1000 shares only.

Holders of coupon No 3 who are unable to qualify for an EDR of 1000 shares will receive the Japanese Yen cash proceeds resulting from the sale of their shares in accordance with Condition 6 of the Terms and Conditions of the Depositary Receipts.

Depository: Bank of Tokyo International Limited, London
Agent: The Bank of Tokyo (Luxembourg) S.A., Luxembourg
22nd March, 1990



Highlights 1989

Jardine Matheson
An Outstanding Year

- Profit after taxation +42%
- Earnings per share +45%
- Dividends per share +46%
- Net assets per share +15%
- Earnings per share doubled over last two years
- Record profit in Hong Kong
- 46% of profit earned from outside Hong Kong, up from 34% in 1988

"The current year has begun encouragingly and while it is too early to make any earnings prediction we remain confident about the prospects throughout the Group."

HENRY KESWICK, Chairman
Hong Kong, 21st March 1990

MALTA

The Ideal Offshore Centre at the cross-roads of Europe, Africa, and the Middle East.



- Stability – A sovereign European State. A parliamentary democracy within the Commonwealth.
- Low or Nil income tax – maximum 5%. No withholding, capital gains or other taxes. Favourable tax treaties.
- Measurably lower operating costs.
- No exchange control.
- Strict confidentiality for lawful business.

- Qualified professionals in Law, Accountancy, Banking and Insurance.
- A highly educated, adaptable and multi-lingual workforce.
- Substantial investment in advanced telecommunications systems.
- An ideal, easily accessible location. Direct flights to 30+ major cities.

In Malta you will be in the best of company... in a perfect climate.

For more information please contact:

MIBA

MALTA INTERNATIONAL BUSINESS AUTHORITY

Palazzo Spinola, P.O. Box St. Julian's 29, Malta.
Tel: (356) 319055 Fax: (356) 336851 Telex: 1692 MIBA MW

This notice is issued in compliance with the requirements of the Council of the Stock Exchange. It does not constitute an invitation to the public to subscribe for or purchase any securities.



The Albert Fisher Group PLC
(Incorporated in England and Wales, Registered No. 682561)

Placing of 28,983,198 new ordinary shares of 5p each at 110p per share with Corporate Partners

Rights issue of 137,670,192 new ordinary shares of 5p each at 110p per share and

Bonus issue of 58,725,448 warrants to subscribe for 58,725,448 ordinary shares of 5p each at a price of 185p per share

Particulars of the warrants are available in the Extel statistical service and copies of the Listing Particulars may be obtained during usual business hours up to and including 26 March 1990, for collection only, from the Company Announcements Office of The Stock Exchange and up to and including 5 April 1990 from:

J. Henry Schroder Wagg & Co. Limited,
120 Cheapside,
London EC2V 6DS
Barclays Bank PLC,
Registration and New Issues,
P.O. Box 34,
Octagon House, Gaidbrook Park,
Northwich, Cheshire CW9 7RD
Rowe & Pitman Ltd.,
1 Finsbury Avenue,
London EC2M 2PA
The Albert Fisher Group PLC,
Fisher House,
61 Thames Street,
Windsor,
Berkshire SL4 1QW
22 March 1990

Alfa-Laval Posts 34-percent Profit Increase

Substantial earnings improvement

Net sales in 1989 of the Alfa-Laval Group, the Sweden-based supplier of industrial, food processing and agricultural plants and equipment, amounted to MSEK 15,227, up 23 percent compared with 1988. Order bookings in the same period rose 24 percent to MSEK 16,775.

Consolidated income after net financial items increased 34 percent to MSEK 1,412. Profit per share after full taxes was SEK 15.80, compared with SEK 11.90 a year earlier. Return on equity capital after full taxes improved from 18.1 to 21.9 percent.

At year-end 1989, total liquid funds amounted to MSEK 4,250, compared with MSEK 3,976 at the same date a year earlier. At the same time, liquid funds were MSEK 284 higher than total external borrowing.

Dividend up 34%

The Board of Directors has decided to propose a dividend increase from SEK 3.90 to SEK 5.25 per share.

The complete preliminary report on Alfa-Laval's operations in 1989 can be obtained from Alfa-Laval AB, Box 12150, S-102 24 Stockholm, Sweden. Int +46 8 80 90 00.

Key figures (MSEK)

	1989	1988	Change, %
Order bookings	16,775	13,553	+24
Net sales	15,227	12,401	+23
Order backlog	6,370	4,822	+32
Operating income after depreciation	1,310	915	+43
Income after net financial items	1,410	1,053	+34
Return on equity capital, percent	21.9	18.1	
Profit per share, SEK	15.80	11.90	+33

Forecast

During the first two months of 1990, invoicing was 17 percent higher than in the corresponding period in 1989. Newly acquired companies accounted for 7 percentage units of the increase.

It is anticipated that the trend of consolidated net sales in 1990 will meet the 15 percent growth target. Income is expected to increase at approximately the same rate.

ALFA-LAVAL

UK COMPANY NEWS

Robert Horton, the new chairman, says consolidation is more or less at an end BP to expand in its four operating divisions

By Steven Butler

MR ROBERT Horton, chairman of British Petroleum, yesterday said that BP was entering an expansionary phase that would see the group grow significantly during the decade, particularly in the Far East and eastern Europe.

Mr Horton, who took over as chairman last week from Sir Peter Walters, said that Monday's announcement of 1,150 job losses at BP corporate headquarters was the last retrenchment for the foreseeable future, aside from several hundred job losses at the group's regional corporate offices. Fifty job cuts in Cleveland, headquarters of BP America, were announced yesterday.

"The policy of consolidation which my predecessor put in train is more or less at an end," he said, in a wide-ranging discussion of his plans as BP chairman.

Although BP under Sir Peter expanded with the final acquisition of Standard Oil, the US oil company based in Cleveland, Ohio, and the takeover of British Petroleum, each of BP's four main business divisions – production and refining, chemicals, and nutrition – were subject to severe cost-cutting measures that involved job losses and asset disposals.

Mr Horton said that BP's

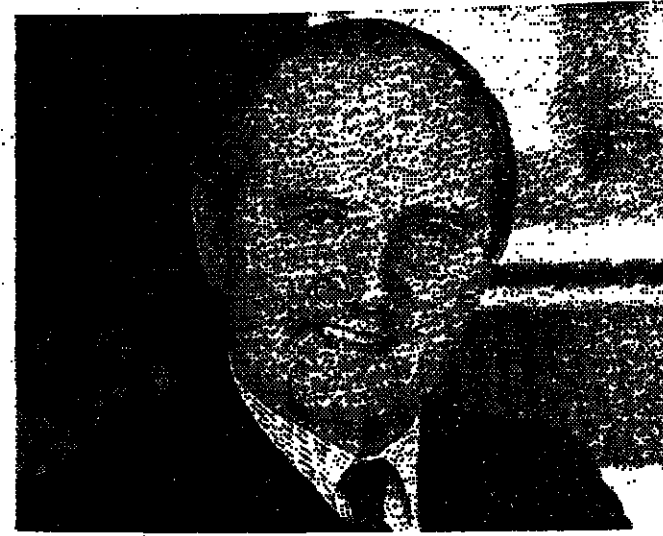
growth would not involve diversification, but that BP would expand through its four operating divisions. The share of the company's business accounted for by US assets would probably fall from about 50 per cent today to 40 per cent because of higher growth outside the US.

BP was expected to invest between \$1bn and \$2bn over the next five years in the Far East. This investment, likely to take the form of joint ventures rather than acquisition, was unlikely to go to Japan, which Mr Horton said was a difficult market, but would probably concentrate on countries such as Taiwan, Malaysia and Papua New Guinea. This would mainly be in chemicals and in refining and marketing, although Papua New Guinea offered exploration opportunities.

aid by Mr Ian Hartigan, a team at BP headquarters was formulating a strategy for Far East expansion.

BP was also actively exploring opportunities in eastern Europe and the Soviet Union, although it was too early to speak about possible investment levels. Soviet oil and gas reserves were interesting.

A marketing presence was planned for East Germany, and expansion in Hungary. Other potential opportunities were in



Robert Horton: BP entering an expansionary phase

Czechoslovakia and Romania.

"There are so many opportunities available for our know-how and our money. I'm not interested in going in on a contracting basis," Mr Horton said.

BP currently does about \$500m of trading business in the region.

Potential opportunities were also opening in the Middle East, where oil producers were speaking about the need for capital and technology. BP was

about to establish an office in Tehran before the Salman-Rushdie affair soured relations with Iran.

"Clearly the regime in Iraq poses problems," he added. "But there is a lot of oil there." Mr Horton said US investors held about 8.5 per cent of BP's shares, which he hoped to raise to 15 per cent as a near-term goal.

He complained however, of BP's exclusion from the Stan-

dard & Poor's 500 stock index. Although, according to Mr Horton, BP America would rank as the 18th largest US company, BP is barred from the index because it is based in the UK and that many fund managers who try to track the index will not buy BP shares.

He said BP was now the first UK company to offer quarterly dividends, as is common in the US, and that subject to shareholder approval, the company would introduce a dollar-denominated hedging mechanism to protect the value of dividends after they are declared for US investors. The 1.5 per cent withholding tax on American Drawing Rights has also been withdrawn.

Mr Horton also defended the company's oil reserve position, which is of concern in the investment community. He said that he expected the value of BP's existing reserves to rise over time, and that the company now had in place a strategy of frontier exploration that would add to reserves in the future.

However, he added: "I can understand the degree of scepticism in the market until we start to deliver the bacon." This would take some years. ● BP said yesterday it was inviting bids for its oil exploration and production assets in France.

NEWS DIGEST

Sharpe & Fisher disappoints

SHARPE & Fisher, the building supplies and property investment group, lifted pre-tax profits by 13 per cent from £2.61m to £2.92m in 1989.

This was struck after an exceptional debit of £208,000 (nil), which with the below-the-line extraordinary debit of £90,000 (nil) related to reorganisation costs. The company said that, even if the exceptional debit had been stripped out, the resulting 28 per cent rise would have been substantially below its original expectations.

This shortfall was caused mainly because of the doubling of interest rates over the past 18 months and the consequent and severe effect on the core building supplies business. Turnover in this division was up at £49.35m (£45.77m), with profits down at £1.77m (£2.59m).

Property investment contributed an increased £1.41m (£905,000) and property development profit of £1.03m (nil) related to the disposal of the company's interest in a site at Neasden, north London. Earnings rose to 9.4p (8.1p) per share and the proposed final dividend is 2.5p for a total of 4p (3p) for the year, in line with the forecast of March 1989.

Renishaw up sharply to £5m in first half

Renishaw, the designer and manufacturer of advanced precision metrology and inspection equipment and computer aided design and manufacturing systems, lifted its pre-tax profit by £1.5m to over £5m in the six months ended December 31 on turnover up from £17.35m to £22.11m.

The proportionate tax charge moved up from 30.2 to 34.3 per cent of the gross – currently £1.73m against £1.07m – and the board said that it had been estimated at the rate expected

Gabicc declines 24% to £644,000

A 24 per cent fall in interim profits was yesterday reported by Gabicc, the USM-quoted casual wear group.

The fall – from £851,000 to £644,000 – came on turnover down to £12.15m (£13.58m). However, Mr Jack Saffar, chairman, said the group had "performed satisfactorily considering the effect of continuing high interest rates and the current pressures on the retail sector."

While the core business continued to expand and had received record orders for the autumn/winter season, the Coconut Club brand was hit by poor deliveries and its home market continues to suffer.

A maintained interim dividend of 1.4p is payable from earnings of 3.6p (4.8p) per share.

Mild winter helps Shorco advance 40%

Shorco Group Holdings, the USM-quoted specialist plant hire company, lifted taxable profits by 40 per cent to £985,000 in 1989.

The increase from the previous year's outcome of £699,000 came on turnover ahead some 29 per cent to £6.12m (£4.81m). Mr John Robertshaw, chairman, said the mild winter had resulted in strong demand across all the group's products. Earnings per share advanced to 21.1p (15.1p) or 20.7p (14.4p) fully diluted. A recommended final dividend of 2.5p brings the total to 4.6p (3.7p) adjusted for the scrip issue last May.

Kerry maintains strong progress

Kerry Group, the Irish agricultural trading and food products concern, maintained strong progress in 1989 with pre-tax profits up 39 per cent from £12.3m to £17.13m (£16.8m).

Turnover increased 41 per cent from £139.72m to £159.55m. At the operating level, profits were 74 per cent higher at £31.4m, before more than doubled interest payments and similar charges of £12.2m (£9.9m).

Tax took £1487,000 (£1322,000) giving earnings per share of 11.38p (9.4p). The recommended final dividend per ordinary share is 1.53p making 2p (1.25p) for the year, while the ordinary total 1.2p (0.83p) with a 0.35p final.

Tullow Oil in black with £190,000

Tullow Oil, the USM-quoted Irish oil and gas exploration company, replaced 1988's loss of £1405,032 with profits of £189,929 (£186,000) last year after much lower exceptional debits of £162,707 against £393,748.

Mr Tom Toner, chairman, said the company was excellently placed to increase reserves based on the quality of its current exploration acreage. Licences have been negotiated in Spain and South Yemen and talks were at an advanced stage for licences in Syria and Pakistan. The development of production interests in Senegal continues.

Turnover was down from £2.05m to £1.54m and earnings per share were 0.3p against losses of 0.7p.

Mohair down and forecasts same again

As predicted, pre-tax profits at British Mohair declined from £5.29m to £4.54m in the year to December 31.

Lower profits were forecast in September with sluggish demand and low profit margins being experienced at British Mohair Spinners and lower demand in the retail sector.

The board said that all things considered similar results are expected to be achieved in 1990.

With earnings of 23.98p (28.1p) the dividend total has been raised from 8p to 8.5p with a recommended final of 7.1p (6.8p). Turnover was down about £1m to £43.49m; tax took £1.43m (£1.81m).

NOTICE OF REDEMPTION

SILICON GRAPHICS, INC.
8% Convertible Subordinated Debentures due 2004

ISIN No. GB0048086978

Conversion Option Expires at the close of normal business hours of the Conversion Agent in Luxembourg on April 11, 1990

NOTICE IS HEREBY GIVEN that, at the close of normal business hours of the Conversion Agent named below in Luxembourg, on April 11, 1990 (the "Redemption Date"), Silicon Graphics, Inc. (the "Company") will redeem all of its then outstanding 8% Convertible Subordinated Debentures due 2004 (the "Debentures") issued pursuant to an indenture dated as of June 28, 1989 (the "Indenture") between the Company and The First National Bank of Boston (the "Trustee") at a redemption price per \$5,000 Debenture of \$5,400, being 108% of the principal amount thereof, plus accrued interest per \$5,000 Debenture of \$114.44 from and including December 28, 1989 to but excluding the Redemption Date (together, in the total amount of \$5,514.44, the "Redemption Price"), such redemption being effected pursuant to Section 1.01 of the Indenture and Section 4.04 of the terms and conditions of each Debenture printed on the reverse side thereof and set forth in Section 2.02 of the Indenture. The Redemption Price will be due and payable on each \$5,000 principal amount of Debentures on or after the Redemption Date upon presentation of the Debentures and all coupons maturing after the Redemption Date at the offices of the Paying Agents described below. From and after the Redemption Date, interest thereon shall cease to accrue and holders of Debentures will not have any rights as such holders other than the right to receive the Redemption Price, without interest, upon surrender of their Debentures.

Holders' Option to Convert in Lieu of Having Debentures Redeemed
Pursuant to Article Twelve of the Indenture, prior to the close of normal business hours of the Conversion Agent in Luxembourg on April 11, 1990, Debenture holders may convert any or all of their Debentures into the Company's Common Stock at the rate of 215.70 shares of Common Stock per \$5,000 principal amount of Debentures surrendered plus cash in lieu of fractional shares. The method of delivery is at the option and risk of the holder, but the method used must permit delivery to the Conversion Agent on or before the close of normal business hours, Luxembourg time, of the Conversion Agent on April 11, 1990. If Debenture holders do not convert their Debentures prior to such time on April 11, 1990, their right to convert will terminate and Debentures held by them will be redeemed as provided above.

So long as the market price of the Common Stock is greater than \$25.57 per share, a holder of Debentures who converts will receive Common Stock of the Company with a market value, plus cash in lieu of any fractional shares, greater than the amount of cash the holder would otherwise be entitled to receive upon redemption. Holders of Debentures are urged to obtain current market quotations for the Company's Common Stock.

To convert Debentures into Common Stock, holders must present their Debentures together with all unexpired coupons, a duly signed and completed written notice in the form set forth in Section 2.05 of the Indenture and transfer tax stamps or funds therefor if required by Section 12.06 of the Indenture (and all such items must be received), and must otherwise comply with Section 12.02 of the Indenture, prior to the close of normal business hours of the Conversion Agent in Luxembourg on April 11, 1990 at the following location:

Conversion Agent: Banque Generale du Luxembourg, S.A.
14 Rue Aldringen
2951 Luxembourg
Luxembourg

Copies of Conversion Notices are Available

Holders of Debentures who wish to obtain copies of the form of conversion notice set forth in Section 2.05 of the Indenture may write to the Conversion Agent at the above address or, during the normal business hours of the Conversion Agent in Luxembourg, may call the Conversion Agent at 352-4796-2332 (Attention: Department ADH-TITRES, Mr. Marcel Kapp). Copies of such conversion notice may also be obtained upon telephonic request addressed to the Trustee at 617-575-2062 (Attention: Franklin C. Cockett).

Payment of Redemption Price

The Redemption Price is payable only to holders who have not converted the Debentures held by them. To receive the Redemption Price, Debenture holders must present their Debentures with all unexpired coupons at one of the following three locations:

Paying Agents: Banque Generale du Luxembourg, S.A.
14 Rue Aldringen
2951 Luxembourg
Luxembourg
Generale Bank
3 Montagne du Parc
8-1000 Brussels
Belgium
Banque Belge Limited
4 Bishopsgate
London EC2N 4AD
Great Britain

SILICON GRAPHICS, INC.
By: The First National Bank of Boston, Trustee



BANK OF BOSTON

March 12, 1990

TECHNOLOGY

Louise Kehoe reports on how software companies are adapting their products for a wider audience

PC separates to mix and match



"THEY'RE NOT SPECTACLES - THEY'RE COMPUTER SCREENS"

Is it a personal computer or is it a workstation? Apple Computer's latest product, the Macintosh IIfx, which was launched on Monday, could be called either. It has all of the familiar attributes of an Apple Macintosh, along with power that rivals some workstations.

Personal computers and workstations have been on a collision course for the past couple of years as personal computers have increased in power and workstations have decreased in price. With the introduction of Apple's Macintosh IIfx, the two market sectors have finally converged and the full significance of the trend is beginning to emerge.

For Apple, the introduction of the IIfx marks the beginning of its efforts to compete with companies such as Sun Microsystems, Hewlett-Packard and Digital Equipment for sales to engineers, financial analysts and others for whom high speed computing is required.

The IIfx is four times faster than Apple's previous top-of-the-line product - and Apple claims that it may be the fastest personal computer available today. But its performance pales when compared with, for example, IBM's new RS6000 workstation, or even the comparatively priced Sun Microsystems SparcStation.

Apple cannot make up its mind what to call the IIfx. "We have told our sales force to call it whatever they like, a personal computer or a workstation," says Brodie Keast, director of product marketing.

The blurring of distinctions between the two product sectors is not just a dilemma over semantics. In the fast-changing world of computing, the names that people attach to certain classes and types of computers are frequently outdated.

What is more important for computer manufacturers and buyers is the gradual merger of different computer standards that have previously separated the personal computer and workstation markets.

With the Macintosh IIfx, Apple has bridged the gap between its proprietary personal computer software and the Unix environment which has become standard in the workstation arena. The new Macintosh can run applications programs designed for either operating system simultaneously.

Apple also introduced a new version of its favour of Unix, the AT&T computer operating system, called A/UX version 2.0, which combines the easy-to-use Macintosh graphical

user interface, with its icons, point-and-click and pull down menu features, with the power of the Unix operating system.

A/UX complies with the standards that are held to be important by proponents of the "open systems" movement, yet it retains the proprietary advantages of Apple's graphical user interface.

Hewlett-Packard announced this week that it has developed a graphical user interface for Unix. HP Visual User Environment allows novice computer users and those not familiar with the complex Unix operating system commands to make use of Unix programs.

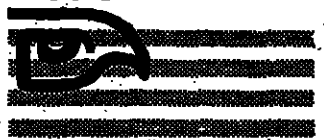
HP and Apple are taking a remarkably similar approach to the problem of making the Unix operating more palatable to average desktop computer users. Sun Microsystems also has its graphical user interface for Unix, called Open Look. Next Computer has NextStep.

The convergence of workstations and personal computers is not confined to proprietary systems such as those offered by Apple Computer. In the "IBM-compatible" arena, Dell Computer, a leading manufacturer of personal computers, this week introduced two desktop computers that can run Unix workstation programs as well as

those designed for IBM-compatible personal computers.

Within the computer industry, the merger of desktop computing standards signals a showdown between Unix, as the workstation operation system standard, and OS/2, the Microsoft operating system which has the endorsement of IBM as the new standard in the personal computer arena.

Computer users should, however, be shielded from this battle by graphical user interfaces



Eagle eye

that make all types of desktop computer applications programs look alike. Computer buyers will ultimately benefit from the convergence of workstations and personal computers because look-alike interfaces will reduce the training costs that have become a big factor in the cost of implementing information technology.

LSI Logic's introduction, also on Monday, of a set of chips that provide the essential components for a "clone" of the

Sun Microsystems SparcStation 1 workstation, also promises to shake up the desktop computer industry. LSI expects the chips to ignite a trend towards cloning the Sun workstation, in much the way that IBM's original personal computers were widely cloned.

Sun Microsystems sold over 40,000 SparcStation 1 workstations in the first nine months after its introduction in the Spring of 1989, and Sun has openly challenged its competitors to clone its Sparc microprocessor-based computers by licensing the chip design to several chip makers.

"The availability of a complete off-the-shelf set of chips overcomes the major hurdle to the creation of the workstation PC industry which I'm convinced will be a multi-million unit market within the next two years. This is like the early days of the PC phenomenon being played at fast forward," said Brian Halla, LSI Logic's Microprocessor Group vice president. Chip sets of devices that contain all of the functions of IBM's personal computers on a half a dozen chips were a catalyst in the growth of the personal computer "clone" market in the mid-1980s, he recalled.

LSI Logic's introduction, built upon the chip set will be announced in June for ship-

ment in the third quarter of this year, Halla anticipates. He expects the Sun clones to be priced at under \$8,000, compared to Sun's price of \$10,000 to \$12,000 for a SparcStation 1.

Personal computers may yet reclaim a distinctive role in the computer market, if not on the desktop then as a carry-around computing and communications tool.

Dick Pashley, general manager of flash memory operations at Intel, one of the leading suppliers of chips to personal computer manufacturers, sees notebook-sized personal computers becoming as ubiquitous as the pocket calculator within a few years.

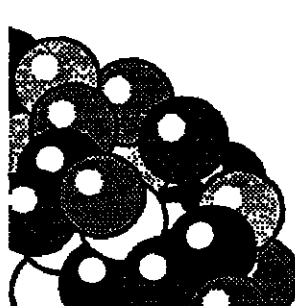
The "Flash Notebook", measuring about seven inches by nine inches and half an inch thick, will weigh about one pound, he predicts. As well as all the familiar functions of today's personal computers it will also include a television receiver, and the ability to send and receive facsimile messages, he says. But what will all of this cost? "About \$200," Pashley reckons.

Intel's "flash memory" chips will play a key role in making lightweight portable computers possible, the company claims. These devices combine the best of both of the predominant varieties of memory chips - Dynamic Random Access Memory which are very dense and relatively cheap - along with Electrically Programmable Read Only Memories, which are non-volatile (retain data when the power is turned off) and can be reprogrammed.

The flash memory provides a semiconductor alternative to the floppy disk drive as a medium for data storage, Intel claims. The chips are smaller, lighter, and less fragile than a disk drive. The flash memory also uses less power, extending the life of a battery operated portable computer.

This is not the first time Intel has predicted the demise of the disk drive, however. In the 1980s it promoted "bubble memory" devices as an alternative to magnetic media.

Although adopted by Grid Systems, a pioneer in the portable computer market, bubble memories never caught on. Similarly, Intel's flash memory chips have won the endorsement of Fujitsu, the British laptop computer manufacturer. It remains to be seen whether Intel's latest memory technology can usurp the ubiquitous disk drive, or whether like bubble memory they will prove to be merely a flash in the pan.



WORTH WATCHING

by Clive Cookson

Electric charge of oil and water

ONE OF the many technical difficulties about operating an offshore oilfield is making a reliable electrical connection under the sea. Salt water is liable to become trapped inside the coupling and interfere with the electric current.

BP's Drilling Technology Division in Dyce, Scotland, has adopted a radically different approach. Instead of trying to find a way to keep the water out, the BP engineers devised a coupling in which water is allowed to enter when the two parts are pushed together. It is then flushed out through a vent and replaced with a non-conductive oil which does not affect the electricity.

Extensive tests on a prototype system in a tank reproduced conditions on the seabed showed that the coupling maintained a good electrical contact after being connected and disconnected 150 times.

BP expects the new coupling to increase the use of electrical controls in the offshore industry, at the expense of hydraulic controls which become less effective at long distances from the power source. As a result, the industry will be able to introduce more sophisticated computerised monitoring and control systems.

A logical way to automate

GE FANUC Automation, the joint venture of General Electric of the US and Famic of Japan, has launched its first generation of programmable logic controllers. PLCs are general purpose industrial microcomputers - perhaps the least glamorous sort of computer but essential for

factory automation. The Series 90 PLCs, developed jointly by GE Famic engineers in the US, Japan and Europe, are claimed to be the first to adopt a "truly open architecture." They are based on VME, an non-proprietary international standard for industrial computers.

Semiconductor laser sees red

PHILIPS of the Netherlands has developed a semiconductor laser that emits red light with the same wavelength (633 nm) as the widely used helium-neon gas laser but which is substantially smaller and would be less expensive to produce and operate. It consumes so little electricity that it could run off a battery.

Helium-neon lasers are currently used in laser printers and in scanners to read bar codes. Although test models of the new solid-state laser will be sent out to prospective buyers this summer, Philips has not yet decided whether to mass produce it. But since it is based on familiar semiconductor technologies, the company would be able to make the laser in large numbers if it chose to do so.

Philips says its new laser is the first semiconductor laser to emit light that is clearly visible to the human eye; others operate in the infra-red region. Researchers at the company's Eindhoven Laboratories succeeded by growing extremely thin layers of a compound crystal of gallium, indium and phosphorus, on a gallium arsenide base.

Late changes on the plate

NEWSPAPERS and magazines will be able to make last minute changes to copy while the printing presses are running, if an electrically controlled plate invented at the Free University of Berlin is perfected and commercialised.

The plate is based on a plastic, polythiophene, which is electrically conducting. It can be either hydrophilic (attracting water) or hydrophobic (repelling water) and the polarity can be reversed by applying a weak pulse of electricity. When a printing plate is coated with polythiophene, hydrophobic areas print and hydrophilic ones do not, because the process uses oil-based inks which are

taken up by areas that have not absorbed water-based damping materials.

Gerhard Kossmeil and colleagues at the university's Institute of Organic Chemistry have developed a polythiophene coating which is initially hydrophilic. Single points on the plate can be made reversibly hydrophobic with an electric pulse.

Although the technology is still far from practical application, Maschinenfabrik Augsburg-Nürnberg, which financed the project, has applied for a patent. The process could reduce costs in the printing industry. And it might eventually be possible for a newspaper to link its editorial computer system directly to the printing presses and update the news without having to stop and change plates.

More than just skin deep

COLLAGENESPHERES are a new way of administering cosmetics and drugs on the skin. They are microscopic capsules between 5 and 1,000 microns in diameter, with membranes of collagen and glycosaminoglycans, containing the active ingredients.

Bioetica, a French company based in Lyon, invented collagenespheres and is beginning to license the technology to cosmetic companies, including Clarins. It is also negotiating with pharmaceutical companies to use the technology for delivering drugs.

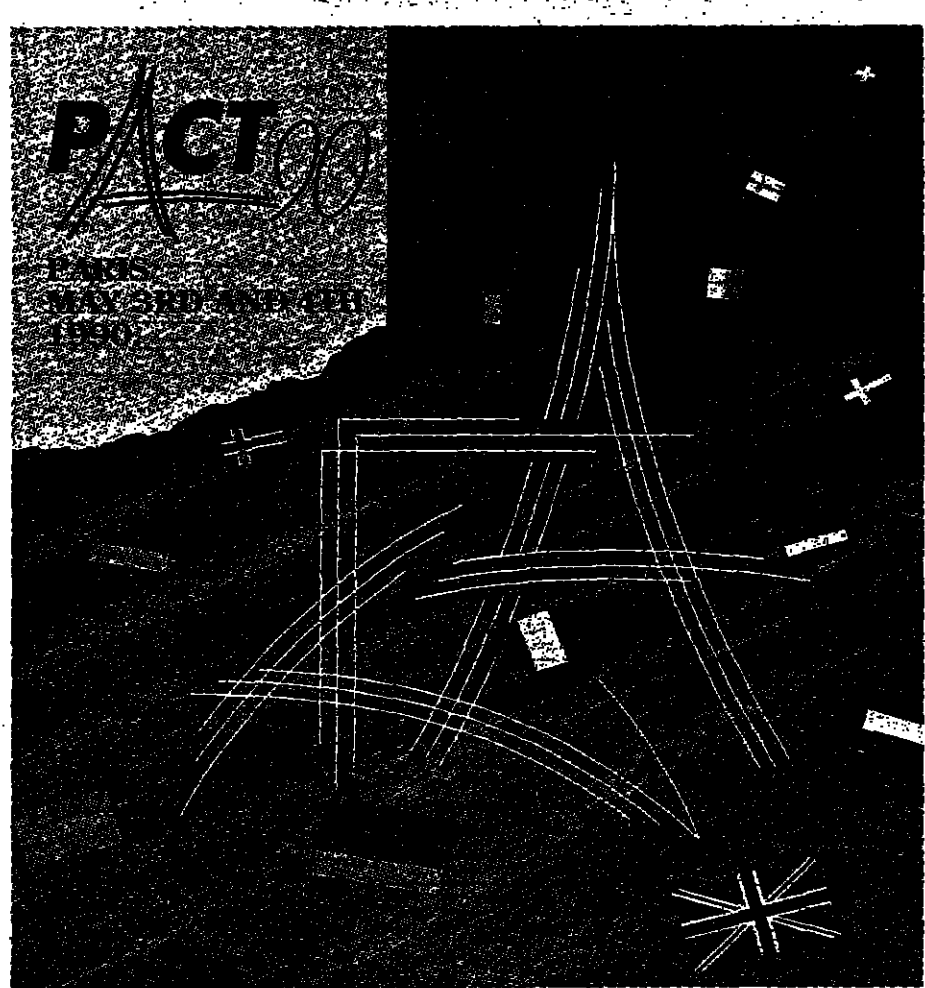
The structure of collagenespheres mimics the structure of the skin. Collagenespheres with a diameter greater than 100 microns break open immediately if rubbed on to the skin. Smaller ones pass through the top layer of skin and then slowly release their ingredients.

Different manufacturing techniques can be used to give a range of collagenespheres sizes - and therefore a choice between immediate release on application and slow release over an extended period. For pharmaceutical applications collagenespheres can be freeze dried, sterilised and rehydrated.

Contacts: BP Drilling Technology Division: UK, 0224 832000. GE Famic: UK, 0906 260460. Philips: Netherlands, 040 7591383. Free University of Berlin: West Germany, 030 835 2838. Bioetica: France, 72 73 00 65.

COMPUTER MARKET PLACE

THE SOFTWARE SOURCE



EUROPEAN CONVENTION FOR COMPUTER ASSOCIATES USERS

For all companies, mastering information technology is the keystone of economic success. It is with this in mind that we offer solutions that guarantee improved productivity, both for today and tomorrow.

At PACT 90, Independent Consultants will help us illustrate the evolution of Computer Associates products in every strategic area of Information Systems. PACT 90 is proof of our commitment to our users for the next decade.

COMPUTER ASSOCIATES
Solutions superior by design.

For a detailed convention program, please contact Jerri Lomas, 0753 77733

LEGAL NOTICES

PC TOYS LIMITED

Registered No: 1470422
Trading name: PC TOYS LIMITED
Nature of business: Wholesale of Board Toys and Games
Trade classification: 55
Name and address of joint administrators:
D J Stokes & M J Moore, Cork Gully,
1 East Parade, Sheffield, S1 1ET
Office hours: 10.00 am to 5.00 pm
Date of appointment: 15 March 1990
Name of appointer: The Sheffield City Council
D J Stokes,
Joint Administrative Receiver
14 March 1990

COMPANY NOTICE

MINORCO

NOTICE TO HOLDERS OF BEARER SHARE CERTIFICATES
PAYMENT OF COUPON NO. 5

With reference to the notice of last dividend advertised in the press on March 16, 1990 the following information is published for the guidance of holders of bearer share certificates:

The dividend of 16 cents was declared in United States currency. The dividend will be paid on or after May 2, 1990, either by deposit of the coupon in the United States currency or by deposit of the coupon in the United States currency or by deposit of the coupon in the United States currency or by deposit of the coupon in the United States currency.

(a) at the office of the Company's Cashier, paying agent:
Banque Generale de Luxembourg
24, rue d'Adolphe
L-1015 Luxembourg
Credat du Nord
5-6 Boulevard d'Assolonne,
L-2000 Luxembourg

(b) at the London Securities Department of HSBC Securities & Co. Limited, 45, Beach Street, London EC3A 3LN, by deposit of the coupon in the United States currency or by deposit of the coupon in the United States currency or by deposit of the coupon in the United States currency.

(c) in respect of coupons lodged on or after May 1, 1990, at the prevailing rate of exchange on the day the coupons are received, in the United States currency or in the United States currency or in the United States currency.

(d) in respect of coupons lodged on or after May 1, 1990, at the prevailing rate of exchange on the day the coupons are received, in the United States currency or in the United States currency or in the United States currency.

Coupons must be left for at least two clear days for transmission to the paying agent. United States currency has been requested and may be presented any working day (Monday excepted) between the hours of 10 a.m. and 5 p.m.

United Kingdom income tax will be deducted from coupons sent to the United Kingdom in respect of coupons deposited in the London Securities Department of HSBC Securities & Co. Limited, unless such coupons are accompanied by Inland Revenue certificate of exemption from tax. Where such deduction is made the net amount of the dividend, after deducting United Kingdom income tax at 25% will be 12 cents (United States) per share.

In the case of payment made in the United Kingdom currency the net dividend will be calculated in accordance with sub-paragraph (b) above.

Copies of the 1990 Interim Report of Minorco will be available after March 26, 1990 from the Registered Office of the Corporation and the offices of the paying agents referred to above.

By Order of the Board
N Jordan
Secretary

March 22, 1990
Minorco Societe Anonyme
RC Luxembourg No. 812199



FINANCIAL TIMES CONFERENCES

EUROPEAN TRANSPORT IN THE 90s

21 & 22 May, 1990—London

Now that most of the financial problems of the Channel Tunnel project have been settled—at least until the next crisis—Europe has a renewed opportunity to focus on the major transport issues which will face it in the coming decade. Will the UK Government, British Rail and the private sector take full advantage of the opportunities and challenges which the completion of the tunnel will bring? What is the future for the ferries industry? What is the EEC proposing for the implementation of a common European transport system? The extent of the progress to date, and the problems it presents for national governments and private industry, will be at the heart of the Financial Times conference on European Transport in the 90s. Speakers include:

The Rt Hon Cecil Parkinson, MP
Secretary of State for Transport, UK

M. André Bénard
Co-Chairman, Eurotunnel

M. Bernard Lathière
Chairman & President of the Board
Aéroports de Paris

Professor Peter Hall
Director, Institute of Urban & Regional Development
University of California at Berkeley

Mr Tony Stanton
President
Freight Transport Association Limited

Mr Ian Brown
Managing Director, Railfreight Distribution
British Railways Board

Mr Eduardo Peña
Director-General for Transport
Commission of the European Communities

Sir Colin Marshall
Joint Deputy Chairman & Chief Executive
British Airways Plc

Mr Brian Unwin, CB
Chairman, HM Customs & Excise

Mr Dan Sten Olsson
Chief Executive Officer
Stena AB

Mr Eric Kocher
President
ABB Transportation GmbH

Mr Erik Vandebroele
Secretary-General
Community of European Railways

A limited amount of exhibition space is available at the conference.

EUROPEAN TRANSPORT IN THE 90s

☐ Please send me further details.
☐ I am interested in exhibiting at the conference.

FT A FINANCIAL TIMES CONFERENCE

To: The Financial Times Conference Organisation
126 Jermyn Street, London SW1Y 4UJ, UK
Tel: 01-825 2223 Fax: 01-825 2125 Tlx: 27347 FTCONF G

Name

Position

Company

Address

Postcode Country

Tel Fax

Type of Business

UNIX* CONSULTANTS - SOFTWARE HOUSES

Speed Customized Business Systems By Using A Developed 4GL Business Package

operating on a proprietary RDBMS
*Unix is a trademark of AT&T, Write Box F9576, Financial Times,
One Southwark Bridge, LONDON, SE1 9HL

UNITED PLANTATIONS BERHAD (INCORPORATED IN MALAYSIA)

NOTICE OF DIVIDEND

Notice is hereby given in pursuance of a resolution passed by the Board of Directors and Interim dividend of 2.5% (less 30% Malaysian tax) was declared in respect of the year ended 31st December 1989.

Notice is also hereby given to holders of share warrants to bearer that coupon number 30 distributed from about 1989 onwards in accordance with the above mentioned resolution on or after 5 February 1990 to The Hongkong Bank Group's London office, 55 St Paul Street, 50 St Pauls, London, EC4P 3LA

Gold price plunges \$6.75 through support point

By Kenneth Gooding, Mining Correspondent

GOLD YESTERDAY crashed downwards through \$385 a troy ounce, an important technical support point. The price plunged \$6.75 an ounce to close in London at \$378.75. That followed a \$4.05 fall on Tuesday. Analysts suggested gloomily that the price would not return to \$400 an ounce for some time. The London price at one point fell to \$389 an ounce, forced down by selling which followed a sharp drop in New York in the last half an hour of trading on Tuesday night. "There was blood on the streets," said Mr. Andrew Smith, analyst at UBS Phillips & Drew. He said the next important support point for gold was \$385 an ounce. Once \$385 was breached, the next stop was \$360.

However, "gold has fallen so far so fast that the only way it is up in the short term. It might hold in the low \$380s but it won't see \$400 again quickly,"

he added. Ms Rhona O'Connell, precious metals analyst at Shearson Lehman Hutton, suggested that the recent fall in gold's price had been caused partly by disillusionment on the part of speculators who had expected the price to continue to rise strongly and partly by short selling (speculators selling gold they did not own in the hope of picking it up at a lower price later).

Tokyo markets were closed yesterday for a holiday and that contributed to yesterday's fall, said Ms O'Connell, but demand for physical metal in the Far East had slowed

recently. Even so, demand from the Far East would probably hold the price above \$365 an ounce, she said. Mr Robert Weinberg, analyst at James Capel, insisted that gold was still in a long-term bull market. He pointed out that in the three months from September last year the price rose by \$60 an ounce so some retracement was to be expected. In the 1985 gold bull market investors had to wait nearly a year for the second upward surge in the price, Mr Weinberg recalled. "Perhaps we will need to be as patient this time, but I doubt it."

LME STOCKS REPORT EXPERIMENT
The London Metal Exchange, which dominates world terminal market trade in non-ferrous metals, hopes to reduce price volatility by reporting its stock figures twice weekly from April for an experimental period of six months.

Figures will be released at 9 am London time on Tuesday and Friday of each week rather than once a week on Monday.

Surprise at diamond price rise

By Kenneth Gooding

DE BEERS, the South African group which dominates world diamond trading, surprised most analysts yesterday by announcing a price increase for rough (uncut) diamonds averaging 5.5 per cent. The group's London-based Central Selling Organisation (CSO), which accounts for more than 80 per cent of the world's rough diamond trade, said the increase was in line with global inflation. Its suppliers faced rising costs for mining and sorting stones. However, the 5.5 per cent is only an average and rough stones, which are very much in demand at the moment, will go up by more than this when the increase takes effect at the end of the month or the start of next month.

Particularly affected, according to the CSO, are diamonds of one carat and below, known as the medium range of polished stones and which sell, when polished, at prices between \$400 and \$5,000 each. The rapid growth in rough diamond sales seen in the late

Rough Diamond Price Increase Imposed by the CSO

	2.5%
Sept 1982	3.5%
April 1983	7.5%
Nov 1986	7%
Sept 1987	10%
May 1988	13.5%
March 1989	15.5%
March 1990	5.5%

1980s came to a halt last year and the CSO reported in January a 2 per cent fall from the record \$4.172bn in 1988 to \$4.066bn. Analysts said that two very big price increases, of 13.5 per cent in May 1988 and of 15.5 per cent in March 1989, were mainly responsible for slow-down.

However, the CSO said yesterday its "slight" in January and February had been "reasonably large."

The CSO said the rise would give the trade confidence because traders knew the organisation would not make any move unless it believed

the rise was sustainable. It estimated that world-wide diamond jewellery retail sales increased by about 4 per cent in US dollar terms last year over 1988's \$38bn. In the two biggest markets, sales in the US were flat but there was a 12 per cent increase in Japan, when measured in the local currency. Demand in western Europe remained strong, particularly in Italy and France.

There had also been record exports of polished stones from Israel, up 8 per cent on 1988, and India, up 12 per cent. Mr Susan Worthington, head of the mining team at the Warburg Securities financial services group, said the timing of the price increase was "fairly surprising. We felt the CSO would wait until the second half of this year before making a move to catch up with inflation."

"But we had heard that the first two nights this year were very strong. Obviously the diamond market is still pretty buoyant."

Finance threatens cocoa pact extension

By David Blackwell

THE INTERNATIONAL Cocoa Organisation's full council is to meet this morning for the first time since last September, when an attempt to revive the moribund agreement ended in complete failure. The problems facing the organisation appear now to be even more formidable. Producers have paid no dues to the organisation since September and total arrears stand at nearly \$140m. The 240,000-tonne buffer stock contains 2,500 tonnes suffering from a deterioration of more than 10 per cent, and a further 10,000 tonnes with deterioration at between 5 and 10 per cent.

At the same time the pressure is on the delegates to agree at least on an extension to the agreement, which does not officially expire until September. If there is no extension, the rules of the organisation require that the buffer stock be sold off over a maximum period of 4 years.

"If there is no agreement in principle for an extension at this meeting, it will be running an enormous risk that the whole thing will founder altogether in September (the annual meeting)," said one delegate yesterday. Both producers and consumers in general believe that there should be an extension of two years with no economic provisions and with a freeze on the buffer stock. However, the buffer stock manager has only enough money to finance the stock for one year (\$10m), and the producers are not sure how to finance a second year.

Two options are open - the first is to sell the deteriorating part of the stock without replacing it, and the second is to sell some of the stock to meet the need for cocoa in the world. The highest debt is owed by the Ivory Coast, the biggest producer, with arrears of more than \$84m, followed by Brazil at \$21.9m, Ghana at \$14.8m and Nigeria at \$8.2m. The extent of the debt crisis has been measured against the fact that since the beginning of the agreement in 1980-81 the producers have paid only \$46.5m between them. Most consumers are still paying the \$50 a tonne levy on their imports from countries outside the ICDO.

Meanwhile, much interest will be centred on the producers' activities away from the main ICDO meeting, which is scheduled to continue at the Barbican Street headquarters until Friday night. "The interest will be in the sidelines - can producers put a strategy together of their own, outside the ICDO, for raising or stabilising prices?" said one delegate.

Comex chief talking himself out of a job

Barbara Durr on the planned merger of two New York exchanges

MR MARTIN Greenberg, the newly elected chairman of the board at New York's Commodity Exchange (Comex), is in a hurry to get out of the job he started only last week. He would like to see the merger of Comex with the New York Mercantile Exchange (Nymex), "asap", as he put it. And under an agreement reached earlier this year on a board structure for the new entity, a Nymex person would be its chairman.

Mr Greenberg, a futures broker and chairman of Sterling Commodities Corporation, said that negotiations for the merger were already well advanced. The agreement on governance struck between the two exchanges had been considered one of the highest hurdles for the merger plan. In late January, both exchanges' boards endorsed a proposal for an upgrading of member benefits and facilities. Comex and Nymex and New York's other three exchanges, now crowded into one floor of the World Trade Center, are jointly looking for a new building that would have more space for trading and the trading floor's ancillary services.

What Mr Greenberg in particular and Comex in general will contribute to the merger, assuming that it goes ahead, is a strong emphasis on discipline. Policing of trading floor activity has become the top issue in the futures industry since an undercover FBI inves-

tigation into trading fraud in Chicago's two major exchanges came to light last year. Mr Greenberg was chief of Comex's supervisory committee, which is in charge of discipline, where he said he did not make any friends.

"We're interested in enforcement," Mr Greenberg said. "We want people to come here for a safe trade."

Comex's record on discipline compares favourably with that of other exchanges, particularly Nymex. According to a Government Accounting Office study last year, between 1984 and 1988, before the FBI investigation turned everyone's attention to the problem, Comex penalised 90 traders, fining them \$2.3m, while Nymex penalised only 14 traders, fining them \$275,000.

While the figures might suggest that Comex traders are simply more dishonest, its discipline in fact is more strict. It leads the four major US exchanges in the number of investigators per 10m contracts. The GAO study said it has five per 10m contracts while Nymex has 2.1, the Chicago Mercantile Exchange 2.2 and the Chicago Board of Trade 1.5. And Comex's investigators are more experienced.

Mr Greenberg thus appears to be well grounded in his plan to "clean up the mess." Our compliance department is on the ball. And in today's atmosphere of fears about federal crackdowns

Comex's contribution to this score to a merger with Nymex would obviously be a plus.

Another plus will be Comex's new technology. In April, it is due to begin non-trading floor tests of the first handheld computerised trading card. The handheld terminal is expected to much improve the audit trail of trades. The Chicago exchanges are also developing handheld electronic trading cards which are expected to be ready for testing at the end of the year. So a race appears to be on for who gets the right device for the industry and can supply other exchanges.

On technology, Mr Greenberg said that Comex would make its advances available to everyone in the industry, not just Nymex if the merger took place. The Comex-Nymex marriage makes technological sense, since Nymex is involved in developing a screen-based trading system.

While diversification has long been a problem for Comex, Mr Greenberg gave no details about its expected new gold-related product. His principal task appears to be guiding Comex, the smaller and poorer of the two exchanges, into the merger without a loss of face. Once a plan is settled on, two thirds of the members of each exchange must approve it and Mr Greenberg says: "My problem is I represent 773 people who have their own interests."

Ministers to debate nitrogen curbs

By Tim Dickson in Brussels

CONTROVERSIAL plans to limit the use of nitrogen fertiliser in the European Community will be debated seriously for the first time in Brussels today. EC Environment Ministers are to have their first full negotiation on the proposal, tabled by the European Commission last month, for a mission more than 12 months ago, which has aroused fierce opposition from the UK and other member states.

The Irish Presidency had been hoping to reach an agreement in the first half of this year but it is understood that a compromise being worked out recently between national experts founded when the issues were debated by Community ambassadors. Many in Brussels detect the influence of the strong farm lobby, notwithstanding the fact that European Ministers are responsible for taking the final decision.

Few now expect substantial progress before the second half of this year and all accept that there will be significant changes to the original draft. As it stands it would impose stringent limits on the use of nitrogen fertilisers and natural manures, which are held to leach through soils and cause unacceptable high levels of nitrates in drinking water. The proposal calls on member states to set "vulnerable zones" where nitrogen levels would have to be brought down to 170 kg per hectare. Britain claims that as things stand much of East Anglia would be affected and that to comply with the requirements

large areas of arable land would have to be planted with forest or "set aside." The French are worried that similarly drastic action would be needed in the Paris basin, while the West Germans also have strong reservations.

Among other issues to divide the member states is the amount of manure which should be permitted in the zones - a subject which has given rise to surprisingly heated arguments over the average size of cow in the EC.

or pay a deposit. Morocco also agreed to provide Spanish translations of its new regulations.

In Seville, officials of the Andalusian fishing guild, called Monday's agreement "insufficient." Fishermen would continue to suffer under a draconian law based on the words of Moroccan officials against the words of Spanish skippers, they complained.

Moroccan agreement angers Spanish fishermen

By Peter Bruce in Madrid

SPANISH FISHERMEN who blocked the country's southern ports for more than 10 days earlier this month in protest at the introduction by Morocco of a new fishing licence, said they were determined to continue to block the ports until an agreement was reached. The fishermen's union in Rabat late on Monday night with the European Community.

Morocco decided in January to raise the fines it levies for illegal fishing by up to 1,000

per cent, sparking a wave of protest at Spain's Mediterranean ports, which are home to about 700 vessels that fish in Moroccan waters.

Madrid announced to defuse the harbour blockades by successfully lobbying for a meeting of the joint fishing commission which monitors the Moroccan-EC fishing pact of 1988. But this agreement leaves treatment of transgressors solely to the Moroccan

and the Rabat meeting on Monday apparently did not even attempt to persuade Morocco to lower the fines.

The Moroccan have agreed, however, to stop the practice of confiscating Spanish boats caught fishing illegally until fines are paid and to establish strict judicial procedures under which offenders will be allowed to either pay the appropriate fine, give bank guarantees that they will be paid

MARKET REPORT

COPPER prices advanced on the LME yesterday, helped by the strength of the dollar. The tone was aided by a buy recommendation from Ted Arnold, metals specialist with brokers Merrill Lynch, with an objective of \$2,650 a tonne within the next two months. Arnold's recommendation was based on the view that workers at Noranda's 195,000-tonnes-a-year Horne smelter would reject the company's final wage offer yesterday. If successful, copper was ahead on Comex - analysts said that the shooting of a former Chilean junta member had sparked concerns about the

political situation in Chile, the world's biggest copper producer. The dollar's strength also helped lead to a recovery of some of this week's losses, although it retreated in the afternoon under pressure from a belated profit-taking following last week's advance to 10-year highs. London robusta coffee went into reverse again as the market continued to await news from Brazil regarding its export policy. However, one trader said roaster interest was evident whenever prices dipped, suggesting the market had underlying trade support at current levels.

Compiled from Reuters

SPOT MARKETS	
Comd	Unit
Crude oil (per barrel FOB)	+
Dubai	\$15.50-6.40y +0.50
Brent Blend	\$16.14-2.20y +0.75
W.T.I. (1st oil)	\$16.25-2.20y +0.05
OIL PRODUCTS	
Comd	Unit
Gas oil (per tonne CIF)	+
Premium Gasoline	\$214-215 +1
Gas Oil	\$169-171 +1
Heavy Fuel Oil	\$51-53 +1
Naphtha	\$167-169 +1
Petroleum Argus Estimates	
Other	
Gold (per troy oz)	\$387.75 +0.75
Silver (per troy oz)	\$7.75 +0.05
Platinum (per troy oz)	\$487.75 +15.00
Palladium (per troy oz)	\$1,125.00 +1.00
METALS	
Comd	Unit
Aluminium (per tonne)	133.50
Copper (per tonne)	133.50
Lead (per tonne)	133.50
Nickel (per tonne)	133.50
Tin (Korea) (per tonne)	133.50
Tin (New York)	133.50
Zinc (US Prime Western)	133.50
Cast iron (weight)	133.50
Steel (weight)	133.50
Plat (live weight)	133.50
Gold (per troy oz)	133.50
Silver (per troy oz)	133.50
Platinum (per troy oz)	133.50
Palladium (per troy oz)	133.50
Aluminium (per tonne)	133.50
Copper (per tonne)	133.50
Lead (per tonne)	133.50
Nickel (per tonne)	133.50
Tin (Korea) (per tonne)	133.50
Tin (New York)	133.50
Zinc (US Prime Western)	133.50
Cast iron (weight)	133.50
Steel (weight)	133.50
Plat (live weight)	133.50
Gold (per troy oz)	133.50
Silver (per troy oz)	133.50
Platinum (per troy oz)	133.50
Palladium (per troy oz)	133.50
Aluminium (per tonne)	133.50
Copper (per tonne)	133.50
Lead (per tonne)	133.50
Nickel (per tonne)	133.50
Tin (Korea) (per tonne)	133.50
Tin (New York)	133.50
Zinc (US Prime Western)	133.50
Cast iron (weight)	133.50
Steel (weight)	133.50
Plat (live weight)	133.50
Gold (per troy oz)	133.50
Silver (per troy oz)	133.50
Platinum (per troy oz)	133.50
Palladium (per troy oz)	133.50
Aluminium (per tonne)	133.50
Copper (per tonne)	133.50
Lead (per tonne)	133.50
Nickel (per tonne)	133.50
Tin (Korea) (per tonne)	133.50
Tin (New York)	133.50
Zinc (US Prime Western)	133.50
Cast iron (weight)	133.50
Steel (weight)	133.50
Plat (live weight)	133.50
Gold (per troy oz)	133.50
Silver (per troy oz)	133.50
Platinum (per troy oz)	133.50
Palladium (per troy oz)	133.50
Aluminium (per tonne)	133.50
Copper (per tonne)	133.50
Lead (per tonne)	133.50
Nickel (per tonne)	133.50
Tin (Korea) (per tonne)	133.50
Tin (New York)	133.50
Zinc (US Prime Western)	133.50
Cast iron (weight)	133.50
Steel (weight)	133.50
Plat (live weight)	133.50
Gold (per troy oz)	133.50
Silver (per troy oz)	133.50
Platinum (per troy oz)	133.50
Palladium (per troy oz)	133.50
Aluminium (per tonne)	133.50
Copper (per tonne)	133.50
Lead (per tonne)	133.50
Nickel (per tonne)	133.50
Tin (Korea) (per tonne)	133.50
Tin (New York)	133.50
Zinc (US Prime Western)	133.50
Cast iron (weight)	133.50
Steel (weight)	133.50
Plat (live weight)	133.50
Gold (per troy oz)	133.50
Silver (per troy oz)	133.50
Platinum (per troy oz)	133.50
Palladium (per troy oz)	133.50
Aluminium (per tonne)	133.50
Copper (per tonne)	133.50
Lead (per tonne)	133.50
Nickel (per tonne)	133.50
Tin (Korea) (per tonne)	133.50
Tin (New York)	133.50
Zinc (US Prime Western)	133.50
Cast iron (weight)	133.50
Steel (weight)	133.50
Plat (live weight)	133.50
Gold (per troy oz)	133.50
Silver (per troy oz)	133.50
Platinum (per troy oz)	133.50
Palladium (per troy oz)	133.50
Aluminium (per tonne)	133.50
Copper (per tonne)	133.50
Lead (per tonne)	133.50
Nickel (per tonne)	133.50
Tin (Korea) (per tonne)	133.50
Tin (New York)	133.50
Zinc (US Prime Western)	133.50
Cast iron (weight)	133.50
Steel (weight)	133.50
Plat (live weight)	133.50
Gold (per troy oz)	133.50
Silver (per troy oz)	133.50
Platinum (per troy oz)	133.50
Palladium (per troy oz)	133.50
Aluminium (per tonne)	133.50
Copper (per tonne)	133.50
Lead (per tonne)	133.50
Nickel (per tonne)	133.50
Tin (Korea) (per tonne)	133.50
Tin (New York)	133.50
Zinc (US Prime Western)	133.50
Cast iron (weight)	133.50
Steel (weight)	133.50
Plat (live weight)	133.50
Gold (per troy oz)	133.50
Silver (per troy oz)	133.50
Platinum (per troy oz)	133.50
Palladium (per troy oz)	133.50
Aluminium (per tonne)	133.50
Copper (per tonne)	133.50
Lead (per tonne)	133.50
Nickel (per tonne)	133.50
Tin (Korea) (per tonne)	133.50
Tin (New York)	133.50
Zinc (US Prime Western)	133.50
Cast iron (weight)	133.50
Steel (weight)	133.50
Plat (live weight)	133.50
Gold (per troy oz)	133.50
Silver (per troy oz)	133.50
Platinum (per troy oz)	133.50
Palladium (per troy oz)	133.50
Aluminium (per tonne)	133.50
Copper (per tonne)	133.50
Lead (per tonne)	133.50
Nickel (per tonne)	133.50
Tin (Korea) (per tonne)	133.50
Tin (New York)	133.50
Zinc (US Prime Western)	133.50
Cast iron (weight)	133.50
Steel (weight)	133.50
Plat (live weight)	133.50
Gold (per troy oz)	133.50
Silver (per troy oz)	133.50
Platinum (per troy oz)	133.50
Palladium (per troy oz)	133.50
Aluminium (per tonne)	133.50
Copper (per tonne)	133.50
Lead (per tonne)	133.50
Nickel (per tonne)	133.50
Tin (Korea) (per tonne)	133.50
Tin (New York)	133.50
Zinc (US Prime Western)	133.50
Cast iron (weight)	133.50
Steel (weight)	133.50
Plat (live weight)	133.50
Gold (per troy oz)	133.50
Silver (per troy oz)	133.50
Platinum (per troy oz)	133.50
Palladium (per troy oz)	133.50
Aluminium (per tonne)	133.50
Copper (per tonne)	133.50
Lead (per tonne)	133.50
Nickel (per tonne)	133.50
Tin (Korea) (per tonne)	133.50
Tin (New York)	133.50
Zinc (US Prime Western)	133.50
Cast iron (weight)	133.50
Steel (weight)	133.50
Plat (live weight)	133.50
Gold (per troy oz)	133.50
Silver (per troy oz)	133.50
Platinum (per troy oz)	133.50
Palladium (per troy oz)	133.50
Aluminium (per tonne)	133.50
Copper (per tonne)	133.50
Lead (per tonne)	133.50
Nickel (per tonne)	133.50
Tin (Korea) (per tonne)	133.50
Tin (New York)	133.50
Zinc (US Prime Western)	133.50
Cast iron (weight)	133.50
Steel (weight)	133.50
Plat (live weight)	133.50
Gold (per troy oz)	133.50
Silver (per troy oz)	133.50
Platinum (per troy oz)	133.50
Palladium (per troy oz)	133.50
Aluminium (per tonne)	133.50
Copper (per tonne)	133.50
Lead (per tonne)	133.50
Nickel (per tonne)	133.50
Tin (Korea) (per tonne)	133.50
Tin (New York)	133.50
Zinc (US Prime Western)	133.50
Cast iron (weight)	133.50
Steel (weight)	133.50
Plat (live weight)	133.50
Gold (per troy oz)	133.50
Silver (per troy oz)	133.50
Platinum (per troy oz)	133.50
Palladium (per troy oz)	133.50
Aluminium (per tonne)	133

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

BANKS, HP & LEASING			BUILDING, TIMBER, ROADS			ELECTRICALS - Contd			ENGINEERING - Contd			INDUSTRIALS (Miscel.) - Contd			INDUSTRIALS (Miscel.) - Contd		
199990	Bank of America	100.00	199990	Bank of America	100.00	199990	Bank of America	100.00	199990	Bank of America	100.00	199990	Bank of America	100.00	199990	Bank of America	100.00
199991	Bank of America	100.00	199991	Bank of America	100.00	199991	Bank of America	100.00	199991	Bank of America	100.00	199991	Bank of America	100.00	199991	Bank of America	100.00
199992	Bank of America	100.00	199992	Bank of America	100.00	199992	Bank of America	100.00	199992	Bank of America	100.00	199992	Bank of America	100.00	199992	Bank of America	100.00
199993	Bank of America	100.00	199993	Bank of America	100.00	199993	Bank of America	100.00	199993	Bank of America	100.00	199993	Bank of America	100.00	199993	Bank of America	100.00
199994	Bank of America	100.00	199994	Bank of America	100.00	199994	Bank of America	100.00	199994	Bank of America	100.00	199994	Bank of America	100.00	199994	Bank of America	100.00
199995	Bank of America	100.00	199995	Bank of America	100.00	199995	Bank of America	100.00	199995	Bank of America	100.00	199995	Bank of America	100.00	199995	Bank of America	100.00
199996	Bank of America	100.00	199996	Bank of America	100.00	199996	Bank of America	100.00	199996	Bank of America	100.00	199996	Bank of America	100.00	199996	Bank of America	100.00
199997	Bank of America	100.00	199997	Bank of America	100.00	199997	Bank of America	100.00	199997	Bank of America	100.00	199997	Bank of America	100.00	199997	Bank of America	100.00
199998	Bank of America	100.00	199998	Bank of America	100.00	199998	Bank of America	100.00	199998	Bank of America	100.00	199998	Bank of America	100.00	199998	Bank of America	100.00
199999	Bank of America	100.00	199999	Bank of America	100.00	199999	Bank of America	100.00	199999	Bank of America	100.00	199999	Bank of America	100.00	199999	Bank of America	100.00

المال

LONDON SHARE SERVICE

Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

MOTORS, AIRCRAFT TRADES

Stock	Price	%	Div	Yield
2300/90				
1000/90				
2000/90				
3000/90				
4000/90				
5000/90				
6000/90				
7000/90				
8000/90				
9000/90				
10000/90				

Commercial Vehicles

Stock	Price	%	Div	Yield
1000/90				
2000/90				
3000/90				
4000/90				
5000/90				
6000/90				
7000/90				
8000/90				
9000/90				
10000/90				

Components

Stock	Price	%	Div	Yield
1000/90				
2000/90				
3000/90				
4000/90				
5000/90				
6000/90				
7000/90				
8000/90				
9000/90				
10000/90				

Garages and Distributors

Stock	Price	%	Div	Yield
1000/90				
2000/90				
3000/90				
4000/90				
5000/90				
6000/90				
7000/90				
8000/90				
9000/90				
10000/90				

NEWSPAPERS, PUBLISHERS

Stock	Price	%	Div	Yield
1000/90				
2000/90				
3000/90				
4000/90				
5000/90				
6000/90				
7000/90				
8000/90				
9000/90				
10000/90				

PAPER, PRINTING, ADVERTISING

Stock	Price	%	Div	Yield
1000/90				
2000/90				
3000/90				
4000/90				
5000/90				
6000/90				
7000/90				
8000/90				
9000/90				
10000/90				

SHOES AND LEATHER

Stock	Price	%	Div	Yield
1000/90				
2000/90				
3000/90				
4000/90				
5000/90				
6000/90				
7000/90				
8000/90				
9000/90				
10000/90				

SOUTH AFRICANS

Stock	Price	%	Div	Yield
1000/90				
2000/90				
3000/90				
4000/90				
5000/90				
6000/90				
7000/90				
8000/90				
9000/90				
10000/90				

TEXTILES

Stock	Price	%	Div	Yield
1000/90				
2000/90				
3000/90				
4000/90				
5000/90				
6000/90				
7000/90				
8000/90				
9000/90				
10000/90				

TOBACCO

Stock	Price	%	Div	Yield
1000/90				
2000/90				
3000/90				
4000/90				
5000/90				
6000/90				
7000/90				
8000/90				
9000/90				
10000/90				

PROPERTY

Stock	Price	%	Div	Yield
1000/90				
2000/90				
3000/90				
4000/90				
5000/90				
6000/90				
7000/90				
8000/90				
9000/90				
10000/90				

TRANSPORT

Stock	Price	%	Div	Yield
1000/90				
2000/90				
3000/90				
4000/90				
5000/90				
6000/90				
7000/90				
8000/90				
9000/90				
10000/90				

PROPERTY - Contd

Stock	Price	%	Div	Yield
1000/90				
2000/90				
3000/90				
4000/90				
5000/90				
6000/90				
7000/90				
8000/90				
9000/90				
10000/90				

SHOES AND LEATHER

Stock	Price	%	Div	Yield
1000/90				
2000/90				
3000/90				
4000/90				
5000/90				
6000/90				
7000/90				
8000/90				
9000/90				
10000/90				

SOUTH AFRICANS

Stock	Price	%	Div	Yield
1000/90				
2000/90				
3000/90				
4000/90				
5000/90				
6000/90				
7000/90				
8000/90				
9000/90				
10000/90				

TEXTILES

Stock	Price	%	Div	Yield
1000/90				
2000/90				
3000/90				
4000/90				
5000/90				
6000/90				
7000/90				
8000/90				
9000/90				
10000/90				

TOBACCO

Stock	Price	%	Div	Yield
1000/90				
2000/90				
3000/90				
4000/90				
5000/90				
6000/90				
7000/90				
8000/90				
9000/90				
10000/90				

PROPERTY

Stock	Price	%	Div	Yield
1000/90				
2000/90				
3000/90				
4000/90				
5000/90				
6000/90				
7000/90				
8000/90				
9000/90				
10000/90				

TRANSPORT

Stock	Price	%	Div	Yield
1000/90				
2000/90				
3000/90				
4000/90				
5000/90				
6000/90				
7000/90				
8000/90				
9000/90				
10000/90				

TRUSTS, FINANCE, LAND

Stock	Price	%	Div	Yield
1000/90				
2000/90				
3000/90				
4000/90				
5000/90				
6000/90				
7000/90				
8000/90				
9000/90				
10000/90				

TRUSTS, FINANCE, LAND - Contd

Stock	Price	%	Div	Yield
1000/90				
2000/90				
3000/90				
4000/90				
5000/90				
6000/90				
7000/90				
8000/90				
9000/90				
10000/90				

TRUSTS, FINANCE, LAND - Contd

Stock	Price	%	Div	Yield
1000/90				
2000/90				
3000/90				
4000/90				
5000/90				
6000/90				
7000/90				
8000/90				
9000/90				
10000/90				

TRUSTS, FINANCE, LAND - Contd

Stock	Price	%	Div	Yield
1000/90				
2000/90				
3000/90				
4000/90				
5000/90				
6000/90				
7000/90				
8000/90				
9000/90				
10000/90				

TRUSTS, FINANCE, LAND - Contd

Stock	Price	%	Div	Yield
1000/90				
2000/90				
3000/90				
4000/90				
5000/90				
6000/90				
7000/90				
8000/90				
9000/90				
10000/90				

TRUSTS, FINANCE, LAND - Contd

Stock	Price	%	Div	Yield
1000/90				
2000/90				
3000/90				
4000/90				
5000/90				
6000/90				
7000/90				
8000/90				
9000/90				
10000/90				

TRUSTS, FINANCE, LAND - Contd

Stock	Price	%	Div	Yield
1000/90				
2000/90				
3000/90				
4000/90				
5000/90				
6000/90				
7000/90				
8000/90				
9000/90				
10000/90				

TRUSTS, FINANCE, LAND - Contd

Stock	Price	%	Div	Yield
1000/90				
2000/90				
3000/90				
4000/90				
5000/90				
6000/90				
7000/90				
8000/90				
9000/90				
10000/90				

TRUSTS, FINANCE, LAND - Contd

Stock	Price	%	Div	Yield
1000/90				
2000/90				
3000/90				
4000/90				
5000/90				
6000/90				
7000/90				
8000/90				
9000/90				
10000/90				

TRUSTS, FINANCE, LAND - Contd

123	21Eclara Inc. 1st	269	5.5	1
344	79Eclara & Gen Sp	194	-3	1
124	200Eclara & Cal. Invest	283	-11.5	1
233	534Eclara & Dutch Inc (PDC)	534	250%	1
574				

Abbey Unit Tot Mings (1000H)					
80 Holdenhurst Rd, Bourne, MA 01939					
0345 717373					
High Income					
American Income	6	53.82	53.82	57.57	+4.94 76
Gifts & Favors Int.	6	100.3	100.3	106.4	+6.1 10.3
High Int. Estate	6	130.4	134.5	142.9	+8.4 6.4
Worldwide Bond	6	201.1	201.1	213.0	+11.9 5.9

[illegible][illegible][illegible][illegible][illegible][illegible][illegible][illegible][illegible]

شركة المصنوع

July 1990

FT UNIT TRUST INFORMATION SERVICE

Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-825-2128

INSURANCES									
AA Friendly Society 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837, 838, 839, 840, 841, 842, 843, 844, 845, 846, 847, 848, 849, 850, 851, 852, 853, 854, 855, 856, 857, 858, 859, 860, 861, 862, 863, 864, 865, 866, 867, 868, 869, 870, 871, 872, 873, 874, 875, 876, 877, 878, 879, 880, 881, 882, 883, 884, 885, 886, 887, 888, 889, 890, 891, 892, 893, 894, 895, 896, 897, 898, 899, 900, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 913, 914, 915, 916, 917, 918, 919, 920, 921, 922, 923, 924, 925, 926, 927, 928, 929, 930, 931, 932, 933, 934, 935, 936, 937, 938, 939, 940, 941, 942, 943, 944, 945, 946, 947, 948, 949, 950, 951, 952, 953, 954, 955, 956, 957, 958, 959, 960, 961, 962, 963, 964, 965, 966, 967, 968, 969, 970, 971, 972, 973, 974, 975, 976, 977, 978, 979, 980, 981, 982, 983, 984, 985, 986, 987, 988, 989, 990, 991, 992, 993, 994, 995, 996, 997, 998, 999, 1000, 1001, 1002, 1003, 1004, 1005, 1006, 1007, 1008, 1009, 1010, 1011, 1012, 1013, 1014, 1015, 1016, 1017, 1018, 1019, 1020, 1021, 1022, 1023, 1024, 1025, 1026, 1027, 1028, 1029, 1030, 1031, 1032, 1033, 1034, 1035, 1036, 1037, 1038, 1039, 1040, 1041, 1042, 1043, 1044, 1045, 1046, 1047, 1048, 1049, 1050, 1051, 1052, 1053, 1054, 1055, 1056, 1057, 1058, 1059, 1060, 1061, 1062, 1063, 1064, 1065, 1066, 1067, 1068, 1069, 1070, 1071, 1072, 1073, 1074, 1075, 1076, 1077, 1078, 1079, 1080, 1081, 1082, 1083, 1084, 1085, 1086, 1087, 1088, 1089, 1090, 1091, 1092, 1093, 1094, 1095, 1096, 1097, 1098, 1099, 1100, 1101, 1102, 1103, 1104, 1105, 1106, 1107, 1108, 1109, 1110, 1111, 1112, 1113, 1114, 1115, 1116, 1117, 1118, 1119, 1120, 1121, 1122, 1123, 1124, 1125, 1126, 1127, 1128, 1129, 1130, 1131, 1132, 1133, 1134, 1135, 1136, 1137, 1138, 1139, 1140, 1141, 1142, 1143, 1144, 1145, 1146, 1147, 1148, 1149, 1150, 1151, 1152, 1153, 1154, 1155, 1156, 1157, 1158, 1159, 1160, 1161, 1162, 1163, 1164, 1165, 1166, 1167, 1168, 1169, 1170, 1171, 1172, 1173, 1174, 1175, 1176, 1177, 1178, 1179, 1180, 1181, 1182, 1183, 1184, 1185, 1186, 1187, 1188, 1189, 1190, 1191, 1192, 1193, 1194, 1195, 1196, 1197, 1198, 1199, 1200, 1201, 1202, 1203, 1204, 1205, 1206, 1207, 1208, 1209, 1210, 1211, 1212, 1213, 1214, 1215, 1216, 1217, 1218, 1219, 1220, 1221, 1222, 1223, 1224, 1225, 1226, 1227, 1228, 1229, 1230, 1231, 1232, 1233, 1234, 1235, 1236, 1237, 1238, 1239, 1240, 1241, 1242, 1243, 1244, 1245, 1246, 1247, 1248, 1249, 1250, 1251, 1252, 1253, 1254, 1255, 1256, 1257, 1258, 1259, 1260, 1261, 1262, 1263, 1264, 1265, 1266, 1267, 1268, 1269, 1270, 1271, 1272, 1273, 1274, 1275, 1276, 1277, 1278, 1279, 1280, 1281, 1282, 1283, 1284, 1285, 1286, 1287, 1288, 1289, 1290, 1291, 1292, 1293, 1294, 1295, 1296, 1297, 1298, 1299, 1300, 1301, 1302, 1303, 1304, 1305, 1306, 1307, 1308, 1309, 1310, 1311, 1312, 1313, 1314, 1315, 1316, 1317, 1318, 1319, 1320, 1321, 1322, 1323, 1324, 1325, 1326, 1327, 1328, 1329, 1330, 1331, 1332, 1333, 1334, 1335, 1336, 1337, 1338, 1339, 1340, 1341, 1342, 1343, 1344, 1345, 1346, 1347, 1348, 1349, 1350, 1351, 1352, 1353, 1354, 1355, 1356, 1357, 1358, 1359, 1360, 1361, 1362, 1363, 1364, 1365, 1366, 1367, 1368, 1369, 1370, 1371, 1372, 1373, 1374, 1375, 1376, 1377, 1378, 1379, 1380, 1381, 1382, 1383, 1384, 1385, 1386, 1387, 1388, 1389, 1390, 1391, 1392, 1393, 1394, 1395, 1396, 1397, 1398, 1399, 1400, 1401, 1402, 1403, 1404, 1405, 1406, 1407, 1408, 1409, 1410, 1411, 1412, 1413, 1414, 1415, 1416, 1417, 1418, 1419, 1420, 1421, 1422, 1423, 1424, 1425, 1426, 1427, 1428, 1429, 1430, 1431, 1432, 1433, 1434, 1435, 1436, 1437, 1438, 1439, 1440, 1441, 1442, 1443, 1444, 1445, 1446, 1447, 1448, 1449, 1450, 1451, 1452, 1453, 1454, 1455, 1456, 1457, 1458, 1459, 1460, 1461, 1462, 1463, 1464, 1465, 1466, 1467, 1468, 1469, 1470, 1471, 1472, 1473, 1474, 1475, 1476, 1477, 1478, 1479, 1480, 1481, 1482, 1483, 1484, 1485, 1486, 1487, 1488, 1489, 1490, 1491, 1492, 1493, 1494, 1495, 1496, 1497, 1498, 1499, 1500, 1501, 1502, 1503, 1504, 1505, 1506, 1507, 1508, 1509, 1510, 1511, 1512, 1513, 1514, 1515, 1516, 1517, 1518, 1519, 1520, 1521, 1522, 1523, 1524, 1525, 1526, 1527, 1528, 1529, 1530, 1531, 1532, 1533, 1534, 1535, 1536, 1537, 1538, 1539, 1540, 1541, 1542, 1543, 1544, 1545, 1546, 154</									

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

مكتبة المصلح

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-825-2128

Money Market Bank Accounts

[illegible][illegible]

CANADA

Basis	Stock	High	Low	Close	Chng	Basis	Stock	High	Low	Close	Chng	Basis	Stock	High	Low	Close	Chng	Basis	Stock	High	Low	Close	Chng
TORONTO																							
2pm prices March 21																							
Quotations in cents unless marked c																							
3996 AMGA Inc	3996	15 1/2	15 1/2	15 1/2	0	1950 Canada	1950	37 1/4	37 1/4	37 1/4	0	4182 Nor Gty	4182	21 1/4	21 1/4	21 1/4	0	91700 Respac	91700	22 1/2	22 1/2	22 1/2	0
3997 AMGA Inc	3997	15 1/2	15 1/2	15 1/2	0	3970 Co Steel	3970	27 1/4	27 1/4	27 1/4	0	1950 Iasco	1950	21 1/4	21 1/4	21 1/4	0	92333 Proseco	92333	23 1/2	23 1/2	23 1/2	0
3998 AMGA Inc	3998	15 1/2	15 1/2	15 1/2	0	3970 Canada	3970	27 1/4	27 1/4	27 1/4	0	2900 Pacer	2900	19 1/4	19 1/4	19 1/4	0	92500 Hys Algon	92500	22 1/2	22 1/2	22 1/2	0
3999 AMGA Inc	3999	15 1/2	15 1/2	15 1/2	0	3970 HGI A	3970	27 1/4	27 1/4	27 1/4	0	3970 Algon	3970	19 1/4	19 1/4	19 1/4	0	92500 Pacer	92500	22 1/2	22 1/2	22 1/2	0
4000 AMGA Inc	4000	15 1/2	15 1/2	15 1/2	0	3970 HGI B	3970	27 1/4	27 1/4	27 1/4	0	3970 Algon	3970	19 1/4	19 1/4	19 1/4	0	92500 Rover	92500	22 1/2	22 1/2	22 1/2	0
4001 AMGA Inc	4001	15 1/2	15 1/2	15 1/2	0	3970 HGI C	3970	27 1/4	27 1/4	27 1/4	0	3970 Algon	3970	19 1/4	19 1/4	19 1/4	0	92500 Rychem	92500	22 1/2	22 1/2	22 1/2	0
4002 AMGA Inc	4002	15 1/2	15 1/2	15 1/2	0	3970 HGI D	3970	27 1/4	27 1/4	27 1/4	0	3970 Algon	3970	19 1/4	19 1/4	19 1/4	0	92500 Rychem	92500	22 1/2	22 1/2	22 1/2	0
4003 AMGA Inc	4003	15 1/2	15 1/2	15 1/2	0	3970 HGI E	3970	27 1/4	27 1/4	27 1/4	0	3970 Algon	3970	19 1/4	19 1/4	19 1/4	0	92500 Rychem	92500	22 1/2	22 1/2	22 1/2	0
4004 AMGA Inc	4004	15 1/2	15 1/2	15 1/2	0	3970 HGI F	3970	27 1/4	27 1/4	27 1/4	0	3970 Algon	3970	19 1/4	19 1/4	19 1/4	0	92500 Rychem	92500	22 1/2	22 1/2	22 1/2	0
4005 AMGA Inc	4005	15 1/2	15 1/2	15 1/2	0	3970 HGI G	3970	27 1/4	27 1/4	27 1/4	0	3970 Algon	3970	19 1/4	19 1/4	19 1/4	0	92500 Rychem	92500	22 1/2	22 1/2	22 1/2	0
4006 AMGA Inc	4006	15 1/2	15 1/2	15 1/2	0	3970 HGI H	3970	27 1/4	27 1/4	27 1/4	0	3970 Algon	3970	19 1/4	19 1/4	19 1/4	0	92500 Rychem	92500	22 1/2	22 1/2	22 1/2	0
4007 AMGA Inc	4007	15 1/2	15 1/2	15 1/2	0	3970 HGI I	3970	27 1/4	27 1/4	27 1/4	0	3970 Algon	3970	19 1/4	19 1/4	19 1/4	0	92500 Rychem	92500	22 1/2	22 1/2	22 1/2	0
4008 AMGA Inc	4008	15 1/2	15 1/2	15 1/2	0	3970 HGI J	3970	27 1/4	27 1/4	27 1/4	0	3970 Algon	3970	19 1/4	19 1/4	19 1/4	0	92500 Rychem	92500	22 1/2	22 1/2	22 1/2	0
4009 AMGA Inc	4009	15 1/2	15 1/2	15 1/2	0	3970 HGI K	3970	27 1/4	27 1/4	27 1/4	0	3970 Algon	3970	19 1/4	19 1/4	19 1/4	0	92500 Rychem	92500	22 1/2	22 1/2	22 1/2	0
4010 AMGA Inc	4010	15 1/2	15 1/2	15 1/2	0	3970 HGI L	3970	27 1/4	27 1/4	27 1/4	0	3970 Algon	3970	19 1/4	19 1/4	19 1/4	0	92500 Rychem	92500	22 1/2	22 1/2	22 1/2	0
4011 AMGA Inc	4011	15 1/2	15 1/2	15 1/2	0	3970 HGI M	3970	27 1/4	27 1/4	27 1/4	0	3970 Algon	3970	19 1/4	19 1/4	19 1/4	0	92500 Rychem	92500	22 1/2	22 1/2	22 1/2	0
4012 AMGA Inc	4012	15 1/2	15 1/2	15 1/2	0	3970 HGI N	3970	27 1/4	27 1/4	27 1/4	0	3970 Algon	3970	19 1/4	19 1/4	19 1/4	0	92500 Rychem	92500	22 1/2	22 1/2	22 1/2	0
4013 AMGA Inc	4013	15 1/2	15 1/2	15 1/2	0	3970 HGI O	3970	27 1/4	27 1/4	27 1/4	0	3970 Algon	3970	19 1/4	19 1/4	19 1/4	0	92500 Rychem	92500	22 1/2	22 1/2	22 1/2	0
4014 AMGA Inc	4014	15 1/2	15 1/2	15 1/2	0	3970 HGI P	3970	27 1/4	27 1/4	27 1/4	0	3970 Algon	3970	19 1/4	19 1/4	19 1/4	0	92500 Rychem	92500	22 1/2	22 1/2	22 1/2	0
4015 AMGA Inc	4015	15 1/2	15 1/2	15 1/2	0	3970 HGI Q	3970	27 1/4	27 1/4	27 1/4	0	3970 Algon	3970	19 1/4	19 1/4	19 1/4	0	92500 Rychem	92500	22 1/2	22 1/2	22 1/2	0
4016 AMGA Inc	4016	15 1/2	15 1/2	15 1/2	0	3970 HGI R	3970	27 1/4	27 1/4	27 1/4	0	3970 Algon	3970	19 1/4	19 1/4	19 1/4	0	92500 Rychem	92500	22 1/2	22 1/2	22 1/2	0
4017 AMGA Inc	4017	15 1/2	15 1/2	15 1/2	0	3970 HGI S	3970	27 1/4	27 1/4	27 1/4	0	3970 Algon	3970	19 1/4	19 1/4	19 1/4	0	92500 Rychem	92500	22 1/2	22 1/2	22 1/2	0
4018 AMGA Inc	4018	15 1/2	15 1/2	15 1/2	0	3970 HGI T	3970	27 1/4	27 1/4	27 1/4	0	3970 Algon	3970	19 1/4	19 1/4	19 1/4	0	92500 Rychem	92500	22 1/2	22 1/2	22 1/2	0
4019 AMGA Inc	4019	15 1/2	15 1/2	15 1/2	0	3970 HGI U	3970	27 1/4	27 1/4	27 1/4	0	3970 Algon	3970	19 1/4	19 1/4	19 1/4	0	92500 Rychem	92500	22 1/2	22 1/2	22 1/2	0
4020 AMGA Inc	4020	15 1/2	15 1/2	15 1/2	0	3970 HGI V	3970	27 1/4	27 1/4	27 1/4	0	3970 Algon	3970	19 1/4	19 1/4	19 1/4	0	92500 Rychem	92500	22 1/2	22 1/2	22 1/2	0
4021 AMGA Inc	4021	15 1/2	15 1/2	15 1/2	0	3970 HGI W	3970	27 1/4	27 1/4	27 1/4	0	3970 Algon	3970	19 1/4	19 1/4	19 1/4	0	92500 Rychem	92500	22 1/2	22 1/2	22 1/2	0
4022 AMGA Inc	4022	15 1/2	15 1/2	15 1/2	0	3970 HGI X	3970	27 1/4	27 1/4	27 1/4	0	3970 Algon	3970	19 1/4	19 1/4	19 1/4	0	92500 Rychem	92500	22 1/2	22 1/2	22 1/2	0
4023 AMGA Inc	4023	15 1/2	15 1/2	15 1/2	0	3970 HGI Y	3970	27 1/4	27 1/4	27 1/4	0	3970 Algon	3970	19 1/4	19 1/4	19 1/4	0	92500 Rychem	92500	22 1/2	22 1/2	22 1/2	0
4024 AMGA Inc	4024	15 1/2	15 1/2	15 1/2	0	3970 HGI Z	3970	27 1/4	27 1/4	27 1/4	0	3970 Algon	3970	19 1/4	19 1/4	19 1/4	0	92500 Rychem	92500	22 1/2	22 1/2	22 1/2	0
4025 AMGA Inc	4025	15 1/2	15 1/2	15 1/2	0	3970 HGI AA	3970	27 1/4	27 1/4	27 1/4	0	3970 Algon	3970	19 1/4	19 1/4	19 1/4	0	92500 Rychem	92500	22 1/2	22 1/2	22 1/2	0
4026 AMGA Inc	4026	15 1/2	15 1/2	15 1/2	0	3970 HGI AB	3970	27 1/4	27 1/4	27 1/4	0	3970 Algon	3970	19 1/4	19 1/4	19 1/4	0	92500 Rychem	92500	22 1/2	22 1/2	22 1/2	0
4027 AMGA Inc	4027	15 1/2	15 1/2	15 1/2	0	3970 HGI AC	3970	27 1/4	27 1/4	27 1/4	0	3970 Algon	3970	19 1/4	19 1/4	19 1/4	0	92500 Rychem	92500	22 1/2	22 1/2	22 1/2	0
4028 AMGA Inc	4028	15 1/2	15 1/2	15 1/2	0	3970 HGI AD	3970	27 1/4	27 1/4	27 1/4	0	3970 Algon	3970	19 1/4	19 1/4	19 1/4	0	92500 Rychem	92500	22 1/2	22 1/2	22 1/2	0
4029 AMGA Inc	4029	15 1/2	15 1/2	15 1/2	0	3970 HGI AE	3970	27 1/4	27 1/4	27 1/4	0	3970 Algon	3970	19 1/4	19 1/4	19 1/4	0	92500 Rychem	92500	22 1/2	22 1/2	22 1/2	0
4030 AMGA Inc	4030	15 1/2	15 1/2	15 1/2	0	3970 HGI AF	3970	27 1/4	27 1/4	27 1/4	0	3970 Algon	3970	19 1/4	19 1/4	19 1/4	0	92500 Rychem	92500	22 1/2	22 1/2	22 1/2	0
4031 AMGA Inc	4031	15 1/2	15 1/2	15 1/2	0	3970 HGI AG	3970	27 1/4	27 1/4	27 1/4	0	3970 Algon	3970	19 1/4	19 1/4	19 1/4	0	92500 Rychem	92500	22 1/2	22 1/2	22 1/2	0
4032 AMGA Inc	4032	15 1/2	15 1/2	15 1/2	0	3970 HGI AH	3970	27 1/4	27 1/4	27 1/4	0	3970 Algon	3970	19 1/4	19 1/4	19 1/4	0	92500 Rychem	92500	22 1/2	22 1/2	22 1/2	0
4033 AMGA Inc	4033	15 1/2	15 1/2	15 1/2	0	3970 HGI AI	3970	27 1/4	27 1/4	27 1/4	0	3970 Algon	3970	19 1/4	19 1/4	19 1/4	0	92500 Rychem	92500	22 1/2	22 1/2	22 1/2	0
4034 AMGA Inc	4034	15 1/2	15 1/2	15 1/2	0	3970 HGI AJ	3970	27 1/4	27 1/4	27 1/4	0	3970 Algon	3970	19 1/4	19 1/4	19 1/4	0	92500 Rychem	92500	22 1/2	22 1/2	22 1/2	0
4035 AMGA Inc	4035	15 1/2	15 1/2	15 1/2	0	3970 HGI AK	3970	27 1/4	27 1/4	27 1/4	0	3970 Algon	3970	19 1/4	19 1/4	19 1/4	0	92500 Rychem	92500	22 1/2	22 1/2	22 1/2	0
4036 AMGA Inc	4036	15 1/2	15 1/2	15 1/2	0	3970 HGI AL	3970	27 1/4	27 1/4	27 1/4	0	3970 Algon	3970	19 1/4	19 1/4	19 1/4	0	92500 Rychem	92500	22 1/2	22 1/2	22 1/2	0
4037 AMGA Inc	4037	15 1/2	15 1/2	15 1/2	0	3970 HGI AM	3970	27 1/4	27 1/4	27 1/4	0	3970 Algon	3970	19 1/4	19 1/4	19 1/4	0	92500 Rychem	92500	22 1/2	22 1/2	22 1/2	0
4038 AMGA Inc	4038	15 1/2	15 1/2	15 1/2	0	3970 HGI AN	3970	27 1/4	27 1/4	27 1/4	0	3970 Algon	3970	19 1/4	19 1/4	19 1/4	0	92500 Rychem	92500	22 1/2	22 1/2	22 1/2	0
4039 AMGA Inc	4039	15 1/2	15 1/2	15 1/2	0	3970 HGI AO	3970	27 1/4	27 1/4	27 1/4	0	3970 Algon	3970	19 1/4	19 1/4	19 1/4	0	92500 Rychem	92500	22 1/2	22 1/2	22 1/2	0
4040 AMGA Inc	4040	15 1/2	15 1/2	15 1/2	0	3970 HGI AP	3970	27 1/4	27 1/4	27 1/4	0	3970 Algon	3970	19 1/4	19 1/4	19 1/4	0	92500 Rychem	92500	22 1/2	22 1/2	22 1/2	0
4041 AMGA Inc	4041	15 1/2	15 1/2	15 1/2	0	3970 HGI AQ	3970	27 1/4	27 1/4	27 1/4	0	3970 Algon	3970	19 1/4	19 1/4	19 1/4	0	92500 Rychem	92500	22 1/2	22 1/2	22 1/2	0
4042 AMGA Inc	4042	15 1/2	15 1/2	15 1/2	0	3970 HGI AR	3970	27 1/4	27 1/4	27 1/4	0	3970 Algon	3970	19 1/4	19 1/4	19 1/4	0	92500 Rychem	92500	22 1/2	22 1/2	22 1/2	0
4043 AMGA Inc	4043	15 1/2	15 1/2	15 1/2	0	3970 HGI AS	3970	27 1/4	27 1/4	27 1/4	0	3970 Algon	3970	19 1/4	19 1/4	19 1/4	0	92500 Rychem	92500	22 1/2	22 1/2	22 1/2	0
4044 AMGA Inc	4044	15 1/2	15 1/2	15 1/2	0	3970 HGI AT	3970	27 1/4	27 1/4	27 1/4	0	3970 Algon	3970	19 1/4	19 1/4	19 1/4	0	92500 Rychem	92500	22 1/2	22 1/2	22 1/2	0
4045 AMGA Inc	4045	15 1/2	15 1/2																				

NEW YORK DOW JONES										INDICES									
					1989/90					Since completion					1989/90				
Mar	20	Mar	18	Mar	1989/90	1989/90	1989/90	1989/90	1989/90	Mar	20	Mar	19	Mar	18	1989/90	1989/90		
					HIGH	LOW	HIGH	LOW								HIGH	LOW		
Mar	20	Mar	18	Mar	1989/90	1989/90	1989/90	1989/90	1989/90	Mar	20	Mar	19	Mar	18	1989/90	1989/90		
2738.24	2705.63	2710.22	2695.72	2690.15	2244.64	2801.15	41.22	2690.15	2244.64	2801.15	41.22	2690.15	2244.64	2801.15	41.22	2690.15	2244.64		
90.43	90.39	90.53	90.39	90.43	90.39	90.53	90.39	90.43	90.39	90.43	90.39	90.53	90.39	90.43	90.39	90.43	90.39		
1179.85	1179.85	1179.85	1179.85	1179.85	1179.85	1179.85	1179.85	1179.85	1179.85	1179.85	1179.85	1179.85	1179.85	1179.85	1179.85	1179.85	1179.85		
212.79	212.79	212.79	212.79	212.79	212.79	212.79	212.79	212.79	212.79	212.79	212.79	212.79	212.79	212.79	212.79	212.79	212.79		
dow jones 2738.24 (2738.24) low 2738.24 (2738.24)																			
STANDARD AND POOR'S																			
					1989/90					Since completion					1989/90				
Mar	20	Mar	18	Mar	1989/90	1989/90	1989/90	1989/90	1989/90	Mar	20	Mar	19	Mar	18	1989/90	1989/90		
					HIGH	LOW	HIGH	LOW								HIGH	LOW		
Mar	20	Mar	18	Mar	1989/90 <td>1989/90</td> <td>1989/90</td> <td>1989/90</td> <td>1989/90</td> <td>Mar</td> <td>20</td> <td>Mar</td> <td>19</td> <td>Mar</td> <td>18</td> <td>1989/90</td> <td>1989/90</td>	1989/90	1989/90	1989/90	1989/90	Mar	20	Mar	19	Mar	18	1989/90	1989/90		
341.57	341.53	341.51	338.07	339.80	275.31	339.80	4.40	339.80	275.31	339.80	4.40	339.80	275.31	339.80	4.40	339.80	275.31		
341.57	341.53	341.51	338.07	339.80	275.31	339.80	4.40	339.80	275.31	339.80	4.40	339.80	275.31	339.80	4.40	339.80	275.31		
28.35	28.35	28.35	28.35	28.35	28.35	28.35	28.35	28.35	28.35	28.35	28.35	28.35	28.35	28.35	28.35	28.35	28.35		
187.71	188.66	187.92	186.20	179.34	154.98	179.34	4.45	179.34	154.98	179.34	4.45	179.34	154.98	179.34	4.45	179.34	154.98		
363.62	364.12	364.18	362.27	363.62	363.62	363.62	363.62	363.62	363.62	363.62	363.62	363.62	363.62	363.62	363.62	363.62	363.62		
402.88	402.91	402.16	405.73	402.88	402.88	402.88	402.88	402.88	402.88	402.88	402.88	402.88	402.88	402.88	402.88	402.88	402.88		
S&P 500 341.57 (341.57) low 341.57 (341.57)																			
NEW YORK ACTIVE STOCKS																			
					1989/90					Since completion					1989/90				
Mar	20	Mar	18	Mar	1989/90	1989/90	1989/90	1989/90	1989/90	Mar	20	Mar	19	Mar	18	1989/90	1989/90		
					HIGH	LOW	HIGH	LOW								HIGH	LOW		
Mar	20	Mar	18	Mar	1989/90 <td>1989/90</td> <td>1989/90</td> <td>1989/90</td> <td>1989/90</td> <td>Mar</td> <td>20</td> <td>Mar</td> <td>19</td> <td>Mar</td> <td>18</td> <td>1989/90</td> <td>1989/90</td>	1989/90	1989/90	1989/90	1989/90	Mar	20	Mar	19	Mar	18	1989/90	1989/90		
177.320	142.300	222.620	177.320	142.300	222.620	177.320	142.300	222.620	177.320	142.300	222.620	177.320	142.300	222.620	177.320	142.300	222.620		
177.320	142.300	222.620	177.320	142.300	222.620	177.320	142.300	222.620	177.320	142.300	222.620	177.320	142.300	222.620	177.320	142.300	222.620		
177.320	142.300	222.620	177.320	142.300	222.620	177.320	142.300	222.620	177.320	142.300	222.620	177.320	142.300	222.620	177.320	142.300	222.620		
177.320	142.300	222.620	177.320	142.300	222.620	177.320	142.300	222.620	177.320	142.300	222.620	177.320	142.300	222.620	177.320	142.300	222.620		

[illegible]

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	18,262	970	+10	Kawasaki Steel	1,160	1,050	-10
Hitchiti	14,691	1,420	+10	Sharp	7,200	1,080	-10
Tokyo Gas	13,226	798	-4	NKK	7,400	825	-4
Yamaha	11,200	895	-5	Isuzu & Co	7,200	1,210	-10
Yokohama	9,226	908	-8	Mitsubishi	7,000	890	-10

Travelling by air on business?
Enjoy reading your complimentary copy of the Financial Times when you are travelling on scheduled flights from . . .
. . . LISBON
with TAP Air Portugal

FINANCIAL TIMES
 CHILDREN'S BUSINESS NEWSPAPER

Keep the world in focus.

For many executives that could be a daunting task were it not for the Financial Times. The FT has breadth and depth of vision, an eye for events that are often in shadow and the ability to provide sharply detailed analyses. In short—it keeps track of a global economy that's in constant motion.


To order call 1-800-344-1144. In Canada 1-800-543-1007.

FINANCIAL TIMES
4 East 60th Street • New York, NY 10022 USA

NOTES—Prices on this page are as quoted on the individual exchanges and are last trading prices. (a) unavailable, if Dealings suspended and Ex dividend, no Ex strip issue, or Ex rights to Ex all.

3pm prices March 21

The world's first
King Size Filter cigarette



Rothmans KING SIZE

OFTEN
INTERESTED
NEVER EQUALLED

Continued on Page 47

COMPOS

July 1945

NASDAQ NATIONAL MARKET

3pm prices March 21

[illegible]

**3pm prices
March 21**

[illegible]

**Have your
FT hand
delivered**
... if you work in the
business centres of
**COPENHAGEN
OR AARHUS**

 **Copenhagen**
(33) 134441

And ask
Mikael Heimö
for details.

FINANCIAL TIMES

AMERICA

Equities stabilise after Tuesday's profit-taking

Wall Street

AFTER Tuesday's profit-taking, the equity market stabilised and registered modest gains at midsession in subdued trading, writes Janet Bush in New York.

At 2pm, the Dow Jones Industrial Average was quoted 2,740.99 on low volume of 86m shares. On Tuesday, the index had closed 16.89 points lower at 2,739.22. There was little fresh news with Japanese markets closed for a holiday and no important US economic data expected. So the market focused on the dollar which came off Tuesday's highs on profit-taking and undermined the Treasury bond market. The benchmark long bond was quoted around 1/4 point lower at midsession while the dollar was quoted at Y154.00 compared with an earlier high in New York at Y154.50 and at DML7055 from DML7115 earlier.

Equity traders reported some selling by investors wanting to lock in profits before the end of the first quarter. This followed unconfirmed rumours on Tuesday of heavy selling by Japanese investors. The fall on Tuesday ended a winning streak which took the Dow 16.08 points or three per cent higher in four sessions.

Analysts believe that the market is due for a correction after the substantial rally from the low of 2,564.19 on February 23. At the close on Monday, the Dow stood 6.8 per cent above that trough, representing a substantial and swift rally. Some believe that the Dow could fall to around 2,680 over the next couple of weeks.

Just as Tuesday's fall was due to programme selling, yesterday's modest rally came on futures-related programme buying. Without this arbitrage activity, the market had little direction. Blue chips continued to outperform the broader market yesterday morning. The Standard & Poor's 500 and New York Stock Exchange Composite indices were both quoted marginally lower during the morning session.

Among blue chip issues, Boeing added 1 1/4 to 87 1/4, partly on a US press report that the possibility of Japanese participation in the company's 767-X aircraft project was less likely because Boeing felt it could finance the new jetliner by itself. Goodyear's Tires & Rubber, which is finding favour with stock analysts, gained 1 1/4 to \$37. The company is testing a draft beer in a clear bottle which would rival Miller Brewing's Miller Genuine Draft, one of the best selling

brands in the US.

Abbott Laboratories fell 3/4 to \$63 on a report that the company had been sent a letter by the Food and Drug Administration threatening regulatory sanctions for failure to correct violations at a generic drug plant. Advanced Micro Devices added 1/4 to \$9. The company said it would raise its stake in Xilinx to 20 per cent and discontinue manufacturing and selling certain products because of the alliance. Shawmut National, the New England commercial bank, added 1/4 to \$14 1/4 after news that it had revised upwards its fourth quarter loan loss provisions and lowered its dividend.

Canada

TORONTO was little changed at midday through gold shares were lower following the slide in the bullion prices. The composite index fell 0.3 to 3,744.3 on volume of 12.83m and declines led advances by 272 to 162. Among gold shares, Lac Minerals and American Barrick both fell 1/4 to C\$14 1/4 and C\$23 respectively. Canadian shares hit a new low, down 7 cents to C\$193, after comments from the chairman Robert Campeau that claims on C\$33.7m worth of loans in default might be settled out of court.

STPHANTASIE, still the overworked buzzword on the floor of the Frankfurt Stock Exchange, is usually translated from the German as euphoria. A more appropriate rendering - for today's German stockpicks - might be "eastern pipe-dreams".

As the flow of East-West corporate deals rolls on, it often seems that the richer, the riskier and the more remote the proposed investment, the better the market is pleased. No-one disputes the immense long-term economic potential of a reunified Germany. But the wholesale rerating of the market has a limit.

Last Sunday saw East German citizens vote for a certain copy of the social market economy to be extended east of the Elbe. What this brought home was that the assumed 25 per cent expansion of the German market was indeed a distinctly German affair.

Massive infrastructural investment is planned for East Germany, and this may halt the exodus to the West. But the citizens who choose to remain will do so for the promise of progress, and the projects will not move fast to completion. It hardly needs stressing that the same will be true for the corporate adventurers. Their earnings gains will be long term.

Perhaps it is the visceral force of the dispirited state of East Germany, towards whom the years of neglect and pollution, that has led to the

enthusiasm, and consequently very high ratings, of one sector, namely construction.

Dyckerhoff & Widmann, for instance, is accorded a \$3.3 price/earnings ratio for 1990 in a recent study by Baring Securities in Frankfurt, in spite of being one of the few companies still struggling to recover from the crisis in the early 1980s.

While a good case can be

made for companies with strength in building materials and renovation - such as Dyckerhoff - the "major rewards from new development projects are obviously a very considerable way off.

Non-German analysts, in particular, listen to many companies in the sector which say they are already working at full capacity, cannot absorb labour and do not set much store by fresh supplies of

unskilled hands from the East. In contrast, financial stocks have been less prominent in the eastern guessing game, but some interesting possibilities are emerging. While the future shape of the East German banking system is indistinct, leading western institutions are positioning themselves.

While the talk in January revolved around the signifi-

bank (state bank). If Deutsche Bank were to take over the institution, it would give it an immediate network of about 200 branches. Deutsche Bank has so far only said it is considering this among many options.

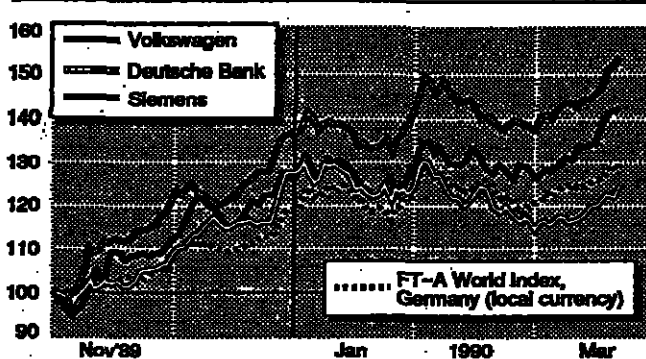
According to Mr Thomas Albrecht of UBS Phillips & Drew in London, Deutsche's shares are currently the cheapest of the big three - trading at 4 per cent below their 10-year historic average weighting, compared with Dresdner at 17 per cent above. But potential investors will still ask questions as to how soon the true risks of selling credit in the East can be adequately reflected in the price changes.

Among the insurers, Allianz has positioned itself so well - announcing plans for a joint venture with the former state insurance monopoly - that it has invoked the ire of its domestic competitors and drawn the odd stiff hint from the Berlin federal cartel office that its position might be subject to review for monopoly in a united Germany.

What jurisdiction the West German authorities can have over the transition period is an open question - and of interest not just in the case of Allianz. More interestingly, whether the regulators can afford to meddle where high levels of investment are so urgently needed is highly doubtful. Only an institution of the size of Allianz, Europe's largest insurer, could swallow

decided, they remark. Probably the quickest D-Mark will be earned by retailers able to supply western goods in the East in the euphoria after currency union, although even here the cautious would argue that the next year will see - dare it be said - a modest transfer of spending power from West to East Germany, rather than an overall increase.

Potential winners from reunification



made for companies with strength in building materials and renovation - such as Dyckerhoff - the "major rewards from new development projects are obviously a very considerable way off.

Non-German analysts, in particular, listen to many companies in the sector which say they are already working at full capacity, cannot absorb labour and do not set much store by fresh supplies of

Bombay welcomes surprise tax cuts

By R.C. Murthy in Bombay

INDIAN stock markets heaved a sigh of relief this week and welcomed Monday's National Front Government's budget, the first since it came to power last November after defeating the Congress party headed by Mr Rajiv Gandhi.

The 30-share index of the Bombay Stock Exchange, which sets the pace for the regional markets, jumped more than 45 points in two days, but lost 4.62 points to close at 721.69 yesterday on heavy offerings by the Unit Trust of India and other mutual funds.

The budget proposed a 10 percentage point reduction in corporate taxation to 40 per cent, although this was qualified by the abolition of investment allowances, and raised

the exemption limit for income tax from Rs18,000 to Rs22,000.

Analysts had been expecting heavy corporate and personal taxation imposts, to finance enhanced expenditure on the rural sector. The index had fallen from a six-month peak of 794.5 in December to 659 in mid-February.

This week, foreign-controlled and consumer product companies rose sharply and bulls gained an upper hand as bears covered their positions. Hindustan Lever, a Unilever subsidiary, Colgate and some other consumer product companies were in demand.

The uptrend was fuelled by the repeal of the minimum 30 per cent corporate tax, which was imposed six years ago to

prevent companies from escaping the tax net through clever tax planning and judicious investment.

Traders had been apprehensive of an anti-market budget as the Finance Minister, Prof Madhav Danavade, has a socialist background; several promises were made in the manifesto of Janata Dal, the main constituent of the National Front, to divert resources from industry.

Markets have yet to digest the full implications of the budget. However, several companies such as Reliance Industries and Tata Iron and Steel have expansion and diversification plans which could be affected by the abolition of investment allowances.

EUROPE

Bourses rise on their individual strengths

WITH Tokyo closed and Wall Street opening gently higher after an up-and-down opening to the west, continental bourses had an opportunity to look at their own strengths yesterday, writes Our Markets Staff.

FRANKFURT saw a rise in the bond market reflected in a fall of five basis points to 8.51 per cent, the major German average bond yield. This provided a platform for equities, where volume rebounded from DM9.95bn to DM14.4bn, the FAZ index hit a new high of 518.61, up 11.29, and the DAX put on 29.16 to 1,987.93, just 1.44 short of its own all-time closing high.

The front-liners, Daimler, Deutsche Bank and Siemens, rose DM13.50, DM21 and DM7.40 to DM314.50, DM317 and DM316.20 respectively. Construction stocks accelerated Tuesday's upswing with Hochtief DM55 higher at DM151.5 and Holzmann DM42 better at DM1421.

Special situations added spice. West jumped 3.5 per cent, or DM11 to DM309 on news that the company's losses for 1990 will be halved, due in part to its reducing the 1990 reporting year to nine months. The tyre maker, Continental, gained DM15.20 to DM309 on a mundane progress report.

PARIS finished higher after a nervous start, but volumes remained thin. The CAC 40 index closed 11.79 up at 1,937.18 as the bond market firmed and Wall Street opened higher, in a sense of around FF1.7bn. Trading began cautiously after the news of a trade deficit of FF961m in February, after FF411m in January.

Saint Gobain, the construction and glass group, eased FF7 to FF575 on good volume of 199,800 shares as analysts' meeting. One observer said the company was worried about its exposure to Brazil, which accounts for about 6 to 7 per cent of sales, after the Bra-

zilian Government's austerity package, but was optimistic about prospects in Germany.

Another company with concerns about Brazilian sales is Carrefour, the retailer, which fell FF7.7 to FF31.78. Among the day's big winners was Imetal, the metals company, which gained FF14.50 to FF315.50.

MILAN was unsettled by a defeat for the coalition Government in the Senate. But the Comit index rose a marginal 0.02 to 682.56, because the four large corporate groups were said to be supporting their own shares.

Most of the activity came from domestic short-covering. Fiat lost L40 to 10,350 while Olivetti gained L72 to L6,550. Ferruzzi Finanziaria was L19 up at L2,920 and Enimont eased L44 to L1,401.

AMSTERDAM concentrated on Hoogovens, which is due to announce a sharp increase in 1989 profits and a higher dividend today. The stock came off from a high of F150.80 to close 60 cents lower at F177.40.

Publisher Wolters Kluwer firmed F1.10 to F148.30 after announcing a 25 per cent rise in 1989 earnings, while Volmac,

the software company, shed F12.50 to F145.50 after it announced a cut of 50 cents in the 1988 dividend to F13. The CBS tendency index rose 0.6 to 114.7.

STOCKHOLM advanced in moderate trading, with the Affärsvärlden General index up 11.90 at 1,147.10. Foreign demand for Nobel, the arms and chemical maker, pushed the company's free shares up SK20 to SK200.

MADRID fell again on worries about international markets. The general index lost 3.15 to 263.37 as the banking

sector weakened, with Banesto down Pta130 at Pta3,550 after firming recently, and Banco Popular declining Pta110 to Pta7,626.

TELSINKI rose in active trading after Wartsila shareholders overwhelmingly approved a plan for their company to be merged with Lohja. The Unifas all-share index rose 1.5 to 638.5.

BRUSSELS was led higher by the big industrial stocks and by a robust outlook for the domestic economy this year. The cash market index rose 45.58 to 6,114.18.

ASIA PACIFIC

Jardine Matheson boosts Hong Kong

THE CLOSURE of Tokyo yesterday for a local holiday gave Hong Kong the opportunity for a strong session, but most other markets remained cautious.

HONG KONG took advantage of Tokyo's closure and advanced in moderate trading after strong results from Jardine Matheson, the trading company. The Hang Seng index rose 46.89, or 1.6 per cent, to 2,926.92 in turnover of HK\$1.3bn, up from HK\$932m on Tuesday.

Jardine Matheson gained HK\$1 to HK\$26.30 after reporting a 42 per cent rise in 1989 profits. Property stocks were also strong, with Cheung Kong up 30 cents at HK\$10.90 and Hongkong Land adding 15 cents to HK\$7.85.

NEW ZEALAND weakened as three large stocks went ex dividend. The Barclays index, which is not adjusted for dividend payments, dropped 32.88, or 1.8 per cent, to 1,746.62. The market was also disappointed by the Government's economic package which hit the New Zealand dollar. Fletcher Challenge fell 4.5

cents to NZ\$4.14 after adjusting for payment of an 11.5 cents dividend. After accounting for their dividend payments, independent Newspapers was steady at NZ\$5.10 and Magnum rose 2.4 cents to NZ\$3.15.

Elders Resources was the most actively traded stock, accounting for 65 per cent of the day's volume of 17.6m shares worth NZ\$28.7m. Traders reported an off-market sale of 12.5m Elders Resources shares at NZ\$1.55, below the market price of NZ\$1.68, at which Elders Resources closed unchanged.

MANILA's index advanced on demand for commercial and industrial stocks, but the overall market finished mixed as investors sold oil and mining

issues. The composite index gained 43.70, or 3.5 per cent, to 1,160.70.

TAIWAN fell on profit-taking and continued political worries, after the market had opened higher following the appointment of Lee Teng-Hui to another six-year term as president.

The weighted index closed 190.32 lower at 11,257.23 after reaching 11,567.15 earlier. Volume rose to 799m shares valued at NT\$19.5bn from 728m and NT\$11.2bn Tuesday.

AUSTRALIA eased in thin trade ahead of the national elections on Saturday. Investors also preferred to keep to the sidelines until Tokyo reopened. The All Ordinaries index lost 8.3 to 1,971.7, while the gold index dropped 35.00 to 1,778.02 following the slump in the bullion price to four-month lows. Among gold stocks, Placer Pacific fell 13 cents to A\$3.34 and Kidston lost 10 cents to A\$3.25.

Turnover fell to its lowest level in more than a week, down to 78m shares valued at A\$148m from Tuesday's 90m and A\$154m.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY MARCH 20 1990						MONDAY MARCH 19 1990				DOLLAR INDEX		
	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's % change local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989/90 High	1989/90 Low	Year ago (approx)	
Australia (53)	141.08	+0.3	129.83	123.95	+0.0	5.57	140.61	129.32	123.91	150.41	128.28	137.77	
Austria (19)	231.28	-1.5	258.85	247.58	-0.8	1.07	235.83	232.70	248.57	255.83	92.84	106.70	
Belgium (61)	144.26	-0.5	132.76	125.40	+0.2	4.46	145.04	133.39	125.19	150.12	125.58	129.39	
Canada (120)	143.11	-0.3	131.71	122.18	-0.7	3.30	143.55	132.02	123.02	154.17	124.57	134.30	
Denmark (36)	257.06	+1.4	235.57	227.34	+0.4	1.41	250.81	233.69	228.36	250.82	165.35	167.27	
Finland (25)	141.33	-0.7	130.07	118.90	-0.4	2.51	142.35	130.92	119.39	135.16	118.68	145.81	
France (125)	150.14	-1.2	138.17	134.89	-0.6	2.81	151.99	139.79	135.66	157.07	122.57	114.57	
West Germany (98)	132.80	-1.8	122.21	117.09	-1.0	1.82	135.17	124.32	118.27	137.91	78.56	82.80	
Hong Kong (48)	118.50	+0.3	100.06	118.88	+0.5	5.02	118.10	108.02	118.48	140.38	83.41	129.08	
Ireland (17)	167.56	-0.5	172.61	168.55	-0.1	2.49	168.43	173.30	168.73	198.57	125.00	142.64	
Italy (90)	97.03	-0.7	88.29	90.76	-0.1	2.83	97.73	89.89	90.62	102.11	74.97	79.91	
Japan (455)	140.68	-2.6	128.47	136.81	-2.4	0.99	144.47	132.57	140.18	230.10	140.88	164.02	
Malaysia (35)	253.81	+0.4	215.18	245.03	+0.3	2.17	232.99	214.28	244.26	245.32	143.35	169.82	
Mexico (13)	390.49	-1.0	369.38	1181.55	-0.7	0.44	364.46	362.79	1190.33	408.41	123.32	166.61	
Netherlands (43)	138.01	-0.3	127.01	120.26	+0.4	4.83	138.43	127.32	119.78	148.68	110.63	116.16	
New Zealand (18)	93.34	-1.8	55.29	57.83	-1.3	6.16	94.47	59.30	58.42	98.18	61.96	89.12	
Norway (54)	241.77	+0.2	222.50	218.17	-0.1	1.87	243.92	223.97	218.42	245.90	139.92	171.05	
Singapore (25)	191.65	+0.3	176.36	165.45	-0.2	1.76	192.13	176.70	165.83	198.38	124.57	145.22	
South Africa (60)	204.79	+2.0	188.47	178.93	+0.2	3.33	200.82	184.70	176.65	251.39	115.35	141.89	
Spain (43)	144.95	-0.8	133.39	119.47	-0.2	4.41	146.08	134.34	119.73	168.75	143.14	145.07	
Sweden (35)	176.73	+0.5	162.22	159.89	+0.1	4.54	180.21	162.40	159.83	180.45	105.47	105.47	
Switzerland (62)	91.94	-0.4	94.06	85.82	-0.5	2.21	92.24	84.83	86.26	90.12	67.81	74.89	
United Kingdom (307)	147.84	+0.8	136.67	135.87	+0.9	4.80	146.48	134.72	134.72	154.31	139.28	148.85	
USA (540)	138.02	-0.6	127.12	138.02	-0.6	3.46	138.82	127.68	138.82	146.29	112.13	118.59	
Europe (900)	138.34	-0.4	127.32	124.25	+0.0	3.61	139.81	127.78	124.21	146.88	112.63	118.14	
Nordic (121)	168.17	-2.4	128.79	135.12	-0.2	1.91	168.87	175.55	163.42	201.98	137.95	147.79	
Pacific Basin (568)	138.79	-0.5	128.79	135.12	-0.2	0.91	143.62	131.91	138.75	194.72	134.94	175.76	
North America (1856)	138.85	-1.6	128.62	131.64	-1.3	1.96	141.95	130.85	133.41	174.18	139.05	165.13	
Europe (950)	138.23	-0.6	127.17	137.02	-0.6	3.45	139.01	127.85	137.82	146.88	112.79	119.43	
Europe Ex. UK (583)	135.87	-0.5	125.53	118.94	-0.5	2.71	132.47	121.83	117.37	135.73	96.30	98.22	
Pacific Ex. Japan (211)	130.43	+0.2	120.04	118.89	+0.0	4.93	130.21	119.75	118.64	140.05	111.83	128.67	
World Ex. US (1849)	140.53	-1.5	129.33	132.12	-1.3	2.02	142.71	131.28	133.84	173.77	140.33	154.26	
World Ex. UK (2082)	137.69	-1.4	126.71	133.78	-1.2	2.28	139.85	128.44	135.48	162.00	138.98	138.64	
World Ex. So. Am. (2259)	138.15	-1.2	127.14	133.65	-1.1	2.51	138.87	128.84	135.07	161.84	138.67	140.44	
World Ex. Japan (1934)	138.38	-0.4	127.19	132.60	-0.3	3.50	139.47	128.28	133.01	145.02	114.51	119.59	
The World Index (2386)	138.56	-1.2	127.53	133.95	-1.0	2.52	140.24	128.98	135.35	162.05	136.68	140.44	